

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING  
FEBRUARY 27, 2013  
APPLICATION SUMMARY**

NAME OF PROJECT: The Center for ENT, Laser & Cosmetic Surgery, LLC

PROJECT NUMBER: CN1210-054

ADDRESS: 310 Colloredo Boulevard  
Shelbyville, (Bedford County), TN 37160

LEGAL OWNER: The Center for ENT, Laser & Cosmetic Surgery, LLC  
310 Colloredo Boulevard  
Shelbyville, (Bedford County), TN 37160

OPERATING ENTITY: Not Applicable

CONTACT PERSON: E. Graham Baker, Jr., Attorney  
(615) 370-3380

DATE FILED: October 15, 2012

PROJECT COST: \$93,000.00

FINANCING: Cash Reserves

PURPOSE FOR FILING Addition of orthopedic and podiatry surgery to an existing ambulatory surgical treatment center limited to ENT, laser, cosmetic, and ophthalmic surgery

DESCRIPTION:

The applicant, The Center for ENT, Laser and Cosmetic Surgery (the Center), an existing ambulatory surgery treatment center (ASTC) with two (2) operating rooms is seeking approval to add orthopedic and podiatry surgery to its existing ASTC, which is currently limited to ENT, laser, cosmetic, and ophthalmic surgery, located at 310 Colloredo Boulevard, Suite B, Shelbyville (Bedford County), TN 37160. No other health services will be initiated or discontinued.

Service Specific Criteria and Standard Review

**AMBULATORY SURGICAL TREATMENT CENTER**

1. The need for an ambulatory surgical treatment center shall be based upon the following assumptions:
  - a. An operating room is available 250 days per year, 8 hours per day.

*The applicant indicates ASTC will continue to operate 250 days per year, 8 hour per day.*

*It appears that this criterion is met*

- b. The average time per outpatient surgery case is 60 minutes.

*The applicant indicates the procedures in this practice will average less than 60 minutes per surgery case.*

*It appears that this criterion is met*

- c. The average time for clean up and preparation between outpatient surgery cases is 30 minutes.

*The applicant indicates the average cleanup between procedures is less than 30 minutes.*

*It appears that this criterion is met*

- d. The capacity of a dedicated, outpatient, general-purpose operating room is 80% of full capacity. That equates to 800 cases per year.

*The applicant projects 602 cases in the first year and 646 cases in the second year in a 2-Operating Room ASTC.*

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*It appears that this criterion is not met*

- e. Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity**

*A review of the Joint Annual Reports over the period of the latest three years reveals that all rooms reported in the Joint Annual Reports have been counted in the analysis in this application.*

*It appears that this criterion has been met.*

- 2. "Service Area" shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of its service recipients reside.**

*The applicant identifies Bedford, Coffee and Lincoln Counties as the proposed project's primary service area. Seventy-seven percent of the patients in the physicians' practice associated with the proposed project reside in these counties as reported by the applicant and verified by the Tennessee Department of Health, Office of Health Statistics.*

*It appears that this criterion has been met.*

- 3. The majority of the population of a service area for an ambulatory surgical treatment center should reside within 30 minutes travel time to the facility.**

*The applicant's facility is in Shelbyville in Bedford County so that the population of Bedford County is within 30 minute travel time. Travel time from portions of Lincoln and Coffee County are beyond 30 minute travel time, so that the majority of the service area population appears to be beyond 30 minute travel time.*

*It appears that this criterion has not been met.*

4. All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days x 4 surgeries/procedures x .80.

*The applicant performed an average of 187 cases per operating room in 2011. The applicant reports the lone surgeon for the two operating rooms, Dr. Canonico, had major surgery in 2011 resulting in a decrease in the number of surgeries performed. The applicant projects 602 cases in the first year and 646 cases in the second year based on ENT, orthopedic, and podiatry procedures.*

*It appears that this criterion has not been met.*

5. A certificate of need (CON) proposal to establish a new ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center shall not be approved unless the existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the Health Services and Development Agency may consider proposals for additional facilities or expanded services within an existing facility under the following conditions: proposals for facilities offering limited-specialty type programs or proposals for facilities where accessibility to surgical services is limited.

*The four ASTCs within the applicant's proposed primary service area have performed in 2011 at an average of 108.1% of the Guidelines for Growth ASTC utilization standard of 800 cases/room/year.*

*It appears that this criterion has been met.*

6. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.

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*The applicant currently has two (2) operating rooms and expects the volume added by the two additional specialties can be absorbed in the existing operating rooms.*

*It appears that this criterion has been met.*

7. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

*The applicant provides projected utilization for the first eight quarters after project completion on page 8 of the first supplemental response. The applicant bases projections based on two surgeons desiring privileges at the applicant's ASTC.*

*It appears that this criterion has been met.*

8. A CON proposal to establish an ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center must project patient origin by percentage and county of residence. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

*The applicant's patient origin is based on the applicant ASTC's current patient origin. The applicant's current patient origin includes Bedford, Coffee, and Lincoln Counties accounting for 77% of all patients.*

*It appears that this criterion has been met.*

#### SUMMARY:

The applicant facility is an existing 4,041 square foot building with two (2) operating rooms and is the only ASTC located in Bedford County. This ASTC is limited to providing ENT, laser, cosmetic, and ophthalmic surgery. The ASTC was first approved (CN9910-088A) at the January 26, 2000 Health Facilities

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Commission meeting for a one (1) operating room ASTC limited to ENT, laser, and cosmetic surgery. The applicant states that Bedford County Hospital opposed the application, requested a contested case hearing but did not pursue the case. The applicant filed a CON application in 2005 (CN0503-022A) that was approved at the June 22, 2005 Agency meeting to add a second operating room and become a multi-specialty ASTC by removing the condition of limiting surgery to ENT, laser and cosmetic surgery. The applicant states that the local hospital opposed the application, requested a contested case hearing and was in litigation for almost three years. A compromise was struck between the applicant and the local hospital whereby the applicant would add the second operating and add only ophthalmology to its list of approved surgical procedures.

The proposed project is requesting the addition of orthopedics and podiatry to its list of approved surgical procedures. The applicant indicates that the additional volume generated from these specialties can be absorbed within the two existing operating rooms and can be accomplished by the addition of a used C-Arm at a cost of \$40,000. The applicant also notes in the first supplemental response that each existing operating room has 403 gross square feet and is large enough to take on orthopedic surgery.

The applicant was asked to provide the rationale for adding orthopedic and podiatric surgery. In the first supplemental response the applicant identified Dr. Wayne Mosley, an orthopedist, and Dr. Russell Oliver, a podiatrist, who have expressed interest in being added to the staff of the ASTC. The applicant states that Dr. Mosley is losing 6 patients per week by not having access to an ASTC due to patients' insurance policies requiring outpatient surgery in an ASTC and /or patients not wanting surgery at the local hospital. The applicant also notes that Dr. Oliver has difficulty in using the local hospital since podiatrists need a staff physician to clear all patients for surgery. The applicant also stated that some of Dr. Oliver's patients do not wish to have their surgery at the hospital due to higher costs.

It was noted in the request for supplemental information that the applicant facility had not performed ophthalmic, laser, or cosmetic surgery for several years. The applicant responded that the ophthalmologist that previously utilized the ASTC had left the county. With regards to plastic surgery the applicant stated that the plastic surgeon that was utilizing the ASTC left because he was not able to perform general surgery at the ASTC.

The Center for ENT, Laser, and Cosmetic Surgery, LLC is solely owned by Dr. Domenic Canonico. The ASTC was originally formed in January 1999 under the name Shelbyville Surgery Center, Inc. The owner subsequently changed the name of the LLC by amendment with notice to the Tennessee Secretary of State's office on September 10, 1999. The applicant leases the surgery center from the Domenic Michael Canonico Family Limited Partnership which is 100% owned by Domenic Michael Canonico. Dr. Canonico is a board certified Ear, Nose and Throat specialist.

The applicant's existing primary service area includes Bedford, Coffee, and Lincoln Counties. The applicant expects the service area to remain the same as these three counties account for 77% of the applicant's patient origin.

Based upon population information from the Tennessee Department of Health, the total population of the primary service area is projected to increase 4.4% between 2013 and 2017 from 138,421 to 144,525. The State of Tennessee total population is expected to grow 3.3% during this same time period. TennCare enrollees account for 20.2% of the total population in the service area. This compares to 19.1% for the State of Tennessee overall.

There are five ASTCs in the service area. The applicant's ASTC is located in Bedford County and the other four ASTCs are located in Coffee County. One ASTC is limited to radiation therapy and will not be included in this analysis. The historical utilization for the applicant's ASTC and the other three providers can be found in the table below:

Facility(#ORs/ PRs)/Specialty)	ENT	Laser/ Cosmetic	Ophthalmology	Orthopedic	Podiatry	Other	Facility Total
<b>Center for ENT, Laser, Cosmetic (2)</b>							
2009 Patients	383	0	0	0	0	0	383
2010 Patients	400	0	0	0	0	0	400
2011 Patients	374	0	0	0	0	0	374
'09-'11 % Change	-2.3%	0	0	0	0	0	-2.3%
% Spec. Tot. (2011)	37.7%	0	0	0	0	0	5.4%
% Fac. Tot. (2011)	100%	0%	0%	0%	0%	0%	100%
% of GfG* (2011)							23.4%
<b>Center for Day Surgery (1)</b>							
2009 Patients	581	124	438		0	0	1,143
2010 Patients	560	100	419	0	0	2	1,081
2011 Patients	619	96	478	0	0	0	1,193
'09-'11 % Change	6.5%	-22.6%	9.1%	0%	0%	0%	4.4%
% Spec. Tot. (2011)	62.3%	100%	26.8%	0%	0%	0%	17.2%
% Fac. Tot. (2011)	51.8%	8.1%	40.1%	0%	0%	0%	100%
% of GfG* (2011)							149.1%
<b>Crown Surgery Center (2)</b>							
2009 Patients	0	0	0	0	0	577	577
2010 Patients	0	0	0	0	0	350	350
2011 Patients	0	0	0	0	0	274	274
'09-'11 % Change	0%	0%	0%	0%	0%	-52.5%	-52.5%
% Spec. Tot. (2011)	0%	0%	0%	0%	0%	7.7%	7.7%
% Fac. Tot. (2011)	0%	0%	0%	0%	0%	100%	100%
% of GfG* (2011)							17.1%
<b>Tullahoma Surgery Center (3)</b>							
2009 Patients	0	0	1,202	307	0	4,525	6,034
2010 Patients	0	0	1,111	301	0	4,082	5,494
2011 Patients	0	0	1,307	422	59	3,291	5,079
'09-'11 % Change	0%	0%	8.7%	37.5%	NA	-27.3%	-15.8%
% Spec. Tot. (2011)	0%	0%	73.2%	100%	100%	92.3%	73.4%
% Fac. Tot. (2011)	0%	0%	25.7%	1.2%	1.2%	64.8%	100%
% of GfG* (2011)							211.6%

Source: 2009-2011 Joint Annual Reports (JAR)



Based on the data in the chart above:

- The applicant, Center for ENT, Laser, and Cosmetic Surgery, only performed ENT surgeries 2009-2011. In 2011 those ENT procedures accounted for 37.7% of the ENT procedures performed in ASTCs located in the service area. This facility is operating well below the Guidelines for Growth utilization standard of 800 cases per operating room.
- Center for Day Surgery performed mainly ENT, cosmetic, and ophthalmology procedures 2009-2011. In 2011 these ENT procedures accounted for 62.3% of the ENT procedures performed in ASTCs located in the service area. This facility accounted for 100% of cosmetic surgery performed in service area ASTCs and 26.8% of ophthalmology procedures. ENT accounted for over 50% of the procedures performed at this facility while Ophthalmology for 40.1%, and cosmetic 8.1%. This facility is operating above the Guidelines for Growth utilization standard of 800 cases per operating room. This ASTC experienced a 4.4% increase in volume between 2009 and 2011.
- Crown Surgery Center only performs dental procedures and is operating well below the Guidelines for Growth utilization standard of 800 cases per operating room.
- The Tullahoma Surgery Center performed ophthalmology, orthopedic, podiatry, and other procedures which included dental, endoscopy, general surgery, and pain management. This facility's ophthalmology procedures accounted for 73.2% of the ophthalmology procedures performed in service area ASTCs, 100% of orthopedic surgeries, and 100% of podiatry procedures. This facility did not perform ENT or cosmetic surgery procedures. Other Procedures accounted for 64.8% of the procedures performed at the facility while ophthalmology accounted for 25.7% and orthopedics and podiatry each accounted for 1.2%. This facility is operating above the Guidelines for Growth utilization standard of 800 cases per operating room but experienced a 15.8% decline in volume between 2009 and 2011.

The following chart highlights the outpatient surgery trends for hospitals in the service area. Please note that the Joint Annual Report for Hospitals does not report surgical procedures by specialty.

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Hospital	County	2009 OP Cases	2010 OP Cases	2011 OP Cases	'09-'11% Change
Heritage Med. Center	Bedford	1,550	1,738	2,349	+51.6%
Harton Reg. MC	Coffee	4,050	4,525	5,816	+43.6%
M.C. Of Manchester	Coffee	720	493	492	-31.7%
United Regional M.C.	Coffee	*719	1328	533	-25.9%
Lincoln Med. Cntr.	Lincoln	895	719	770	-14.0%
<b>TOTAL</b>		<b>7,934</b>	<b>8,803</b>	<b>9,960</b>	<b>+25.5%</b>

*\*Only reported procedures in 2009*

*Source: 2009-2011 JAR*

The chart above indicates that there are five hospitals in the service area. Outpatient surgeries have increased significantly for two of the hospitals from 2009-2011 while three of the hospitals have experienced a decline. Overall outpatient surgery cases for service area hospitals have increased 25.5% between 2009 and 2011.

The applicant's projected volumes by specialty are displayed in the table below:

Facility(#ORs) /Specialty	ENT	Laser/ Cosmetic	Ophthalmology	Orthopedic	Podiatry	Other	Facility Total
<b>Center for ENT, Laser, Cosmetic (2)</b>							
Year 1 Patients	342	0	0	248	12	0	602
Year 2 Patients	358	0	0	270	18	0	646
% Fac. Tot. (Year 2)	55.4%	0	0	41.8%	2.8%	0	100%
% of GfG* (Year 2)							40.4%

*Source: CN1210-054*

The applicant projects procedures in ENT, orthopedic, and podiatry during the first two years of operation after project approval. The applicant's surgery patient mix is projected to be 55.4% ENT, 41.8% orthopedic, and 2.8% podiatry. The applicant's projected volume will only reach approximately 40% of the Guidelines for Growth utilization standard.

The project's Medicare and TennCare net revenues in Year One are projected at \$121,788 (16%) and \$334,916 (44%), respectively. Approximately 39% of net revenue will come from commercial insurance. The applicant is contracted with the Middle Tennessee TennCare MCOs AmeriGroup, UHC Community Plan,

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and TennCare Select. In 2011 based on only ENT cases, the payor mix was 55% TennCare, 9% Medicare, and 34% Commercial.

The average gross charge is \$3,832/case in Year One and \$3,753 in Year Two. The average net charge is estimated to be \$1,264/case in Year One and \$1,239 in Year Two.

The projected 602 cases will produce Gross Operating Revenues (GOR) of \$2,306,587 in the first year of operation, growing to 646 cases and \$2,424,740 GOR in year two. Deductions from Operating Revenue of 67% will reduce the Net Operating Revenue (NOR) to \$761,173 in the first year and \$800,164 in the second year. Net Operating Income of \$9,666 is projected in the first year, while \$23,137 in Net Operating Income is estimated in the second year. Gross operating margin is expected to be 0.4% in Year 1 and 1.0% in Year 2.

According to the Historical Data Chart, The Center for ENT, Laser, and Cosmetic Surgery was profitable two of the three past years reporting favorable net operating income (NOI) of \$30,392.00 in 2009; \$56,430 in 2010; and reporting a net operating loss of (\$33,132) in 2011. The applicant notes that Dr. Canonico had major surgery in 2011 and performed fewer surgeries that year due to his own recuperation. He is now healthy and the ASTC is on track to have a positive cash flow for 2012.

The cost of the project is projected to be \$93,000. The major cost components are \$50,000 for Legal, Administrative, and Consultant Fees and \$40,000 for moveable equipment.

The applicant plans to fund the project through cash reserves. The applicant provided compiled but unaudited financial statements dated June 30, 2012 indicating current assets of \$68,460.96 of which \$53,112.75 was cash. The applicant provided in the first supplemental response a letter dated November 26, 2012 from Robert M. Duncan, Jr., CPA of Duncan, Wheeler, & Wilkinson, P.C. indicating that Dr. Canonico would obtain the \$93,000 in funds for the project from other sources including companies which are owned or controlled by Dr. Canonico.

The applicant states that no additional staff will need to be hired for the proposed project as all existing staff are part-time and will work more hours with the addition of orthopedic and podiatry services as displayed in the table below:

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Position	Current FTE	Year 1 FTE
RN	1.7	2.1
Scrub Tech	0.3	0.6
Translator	0.3	0.5

Source: CN1210-054

The applicant also noted that the current anesthesiologist on staff will provide anesthesiology services to the orthopedist and podiatrist. The applicant indicates that all the physicians on staff at the ASTC have admitting privileges at the local hospital; however the applicant stated that the podiatrist needs a staff physician at the hospital to clear all patients for surgery.

The Center for ENT, Laser & Cosmetic Surgery has transfer agreements with Heritage Medical Center in Shelbyville and Middle Tennessee Medical Center in Murfreesboro, is licensed by the Tennessee Department of Health as an ASTC, is Medicare/Medicaid certified, and is accredited by the Accreditation Association for Ambulatory Health Care, Inc.

*The applicant has submitted the required ownership and property information. HSDA staff has reviewed these documents. Copies of the documents are available at the Agency office and will also be available for member review at the Agency meeting.*

Should the Agency vote to approve this project, the CON would expire in two years.

**CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:**

There are no other letters of intent, pending or denied applications, or outstanding Certificates of Need for this applicant.

**CERTIFICATE OF NEED INFORMATION FOR OTHER PROPOSED FACILITIES IN THE 3-COUNTY SERVICE AREA:**

There are no Letters of Intent, denied or pending applications or outstanding Certificates of Need for other health care organizations proposing this type of service.

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PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

MAF  
02/12/13

## LETTER OF INTENT



2012 OCT 10 AM 11:00

## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Shelbyville Times-Gazette which is a newspaper of general  
(Name of Newspaper)

circulation in Bedford County, Tennessee, on or before October 10, 2012 for one day.  
(County) (Month / day) (Year)

=====

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that The Center for ENT, Laser & Cosmetic Surgery, LLC, 310 Coloredo Blvd., Suite B, Shelbyville (Bedford County), Tennessee 37160 ("Applicant") owned and managed by itself, intends to file a Certificate of Need application for the addition of orthopedic and podiatry surgery. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately \$200,000.00.

The anticipated date of filing the application is: October 15, 2012..

The contact person for this project is E. Graham Baker, Jr., Attorney who may be reached at 2021 Richard Jones Road, Suite 350, Nashville, TN 37215, 615/370-3380.

The contact person for this project is E. Graham Baker, Jr. Attorney  
(Contact Name) (Title)

who may be reached at: his office at 2021 Richard Jones Road, Suite 350  
(Company Name) (Address)

Nashville TN 37215 615/370-3380  
(City) (State) (Zip Code) (Area Code / Phone Number)

E. Graham Baker, Jr. October 10, 2012 graham@grahambaker.net  
(Signature) (Date) (E-mail Address)

=====

The Letter of Intent must be **filed in triplicate** and **received between the first and the tenth day of the month**. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
Andrew Jackson Building  
500 Deaderick Street, Suite 850  
Nashville, Tennessee 37243

=====

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

=====

\* The project description must address the following factors:

1. General project description, including services to be provided or affected.
2. Location of facility: street address, and city/town.

**COPY**

**The Center for**  
**ENT, Laser &**  
**Cosmetic**  
**Surgery, LLC**

**CN1210-054**





2012 OCT 15 PM 3:05

**CERTIFICATE OF NEED  
APPLICATION**

**For**

**The Addition of Orthopedics and Podiatry Surgery**

**by**

**The Center for ENT, Laser & Cosmetic Surgery, L.L.C.  
310 Colloredo Blvd., Suite B  
Shelbyville (Bedford County), TN 37160**

**STATE OF TENNESSEE  
HEALTH SERVICES AND DEVELOPMENT AGENCY  
500 Deaderick Street  
Suite 850  
Nashville, Tennessee 37243  
615/741-2364**

**FILING DATE: October 15, 2012**

**SECTION A: APPLICANT PROFILE**

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**1. Name of Facility, Agency or Institution**The Center for ENT, Laser & Cosmetic Surgery, LLC2012 OCT 15 PM 3:05

Name

310 Colloredo Blvd., Suite BBedford

Street or Route

County

Shelbyville,TN37160

City

State

Zip Code

**2. Contact Person Available for Responses to Questions**E. Graham Baker, Jr.Attorney

Name

Title

Weeks and Andersongraham@grahambaker.net

Company Name

e-mail address

2021 Richard Jones Road, Suite 350Nashville,TN37215

Street or Route

City

State

Zip Code

Attorney615/370-3380615/221-0080

Association with Owner

Phone Number

Fax Number

**3. Owner of the Facility, Agency, or Institution**The Center for ENT, Laser & Cosmetic Surgery, LLC(931) 684-3504

Name

Phone Number

310 Colloredo Blvd., Suite BBedford

Street or Route

County

Shelbyville,TN37160

City

State

Zip Code

**4. Type of Ownership of Control (Check One)**

A. Sole Proprietorship

☐F. Governmental (State of Tenn.  
or Political Subdivision)☐

B. Partnership

☐

G. Joint Venture

☐

C. Limited Partnership

☐

H. Limited Liability Company

☒

D. Corporation (For-Profit)

☐

I. Other (Specify)

☐

E. Corporation (Not-for-Profit)

☐

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS. See Attachment A.4.

**SECTION A:****APPLICANT PROFILE**

**Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate "N/A". Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment.**

***Section A, Item 1: Facility Name must be applicant facility's name and address must be the site of the proposed project.***

**Response:** The Center for ENT, Laser & Cosmetic Surgery, LLC ("Applicant"), 310 Colloredo Blvd., Suite B, Shelbyville (Bedford County), Tennessee 37160, owned and managed by itself, files this application for a Certificate of need for the addition of orthopedics and podiatry surgery services to its existing ASTC.

***Section A, Item 3: Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence, if applicable, from the Tennessee Secretary of State.***

**Response:** The requested documents for the Applicant are included in the application as *Attachment A.4*. Note that when the Articles of Organization were originally filed, the name of the Applicant was Shelbyville Surgery Center, Inc. The name was changed on September 10, 1999 to The Center for ENT, Laser & Cosmetic Surgery, LLC.

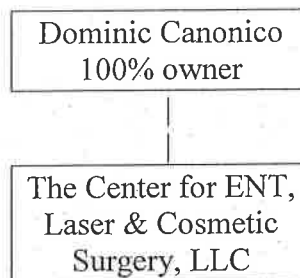
Dr. Dominic Canonico is the sole equity member of the company.

*Section A, Item 4: Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.*

**Response:** The Center for ENT, Laser & Cosmetic Surgery, LLC ("Applicant"), 310 Colloredo Blvd., Suite B, Shelbyville (Bedford County), Tennessee 37160, owned and managed by itself, files this application for a Certificate of need for the addition of orthopedics and podiatry surgery services to its existing ASTC.

Dr. Dominic Canonico is the sole equity member of the company.

See the following organizational chart:



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*Section A, Item 5: For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract*

*Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.*

**Response:** The facility has no outside management.

*Section A, Item 6: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.*

**Response:** The Applicant leases the real estate from the Domenic Michael Canonico Family Limited Partnership. Please see *Attachment A.6*. The lease began on January 1, 2005 for seven (7) years, but the Lessee has exercised an additional seven (7) year extension as called for in paragraph 3 of the Lease Agreement. The ASTC continues to operate at this site. The site is approximately 1.04 Acres.

The Domenic Michael Canonico Family Limited Partnership is 100% owned by Domenic Michael Canonico. Please see *Attachment A.6.1*, which is a copy of the deed to the property.

5. Name of Management/Operating Entity <sup>22</sup> (If Applicable)

Name \_\_\_\_\_

Street or Route \_\_\_\_\_

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County \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip Code \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS. Not Applicable**

6. Legal Interest in the Site of the Institution (Check One)

- |                            |          |                    |       |
|----------------------------|----------|--------------------|-------|
| A. Ownership               | _____    | D. Option to Lease | _____ |
| B. Option to Purchase      | _____    | E. Other (Specify) | _____ |
| C. Lease of <u>7</u> Years | <u>X</u> |                    | _____ |

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS. See Attachments A.6 and A.6.1.**

7. Type of Institution (Check as appropriate--more than one response may apply.)

- |  |          |  |       |
|--|----------|--|-------|
| A. Hospital  | _____    | I. Nursing Home                              | _____ |
| B. Ambulatory Surgical Treatment Center (Multi-Specialty)          | _____    | J. Outpatient Diagnostic Center              | _____ |
| C. ASTC  | <u>X</u> | K. Recuperation Center                       | _____ |
| D. Home Health Agency  | _____    | L. Rehabilitation Facility                   | _____ |
| E. Hospice   | _____    | M. Residential Hospice                       | _____ |
| F. Mental Health Hospital  | _____    | N. Non-Residential Methadone Facility        | _____ |
| G. Mental Health Residential Treatment Facility                    | _____    | O. Birthing Center                           | _____ |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) | _____    | P. Other Outpatient Facility (Specify) _____ | _____ |
|  |          | Q. Other (Specify) _____                     | _____ |

8. Purpose of Review (Check as appropriate--more than one response may apply.)

- |  |          |  |       |
|--|----------|--|-------|
| A. New Institution   | _____    | H. Change In Bed Complement (Please note the type of change by underlining the appropriate response: Increase, Decrease Designation, Distribution, Conversion, Relocation) | _____ |
| B. Replacement/Existing Facility                                       | _____    | I. Change of Location  | _____ |
| C. Modification/Existing Facility                                      | <u>X</u> | J. Other (Specify) _____   | _____ |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) | _____    |  | _____ |
| E. Specify _____   | _____    |  | _____ |
| F. Discontinuance of OB Services                                       | _____    |  | _____ |
| G. Acquisition of Equipment  | _____    |  | _____ |

*Note: The "Modification" is to add 2 surgery services to this existing ASTC.*

9. Bed Complement Data

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Please indicate current and proposed distribution and certification of facility beds.

Response: Not Applicable.

	Current Beds		Staffed	Beds	TOTAL
	Licensed	CON*	Beds	Proposed	Beds at Completion
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually-certified)	_____	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child & Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____	_____

\*CON Beds approved but not yet in service

10. Medicare Provider Number 3288771<sup>24</sup>  
Certification Type ASTC

11. Medicaid Provider Number 3288771  
Certification Type ASTC

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?

**Response:** This is an existing facility, and both Medicare and Medicaid patients are currently served and will continue to be served.

13. *Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. Discuss any out-of-network relationships in place with MCOs/BHOs in the area.*

**Response:** The Applicant currently contracts with AmeriGroup, UHC Community Plan, Blue Care, TennCare Select, and Cover Kids. The approval of this application will not result in any changes.



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**NOTE:** *Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.*

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

**Response:** The Center for ENT, Laser & Cosmetic Surgery, LLC ("Applicant"), 310 Colloredo Blvd., Suite B, Shelbyville (Bedford County), Tennessee 37160, owned and managed by itself, files this application for the addition of orthopedic and podiatry surgery. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately \$90,000.00, not including filing fee.

This existing ASTC, the only one in Bedford County, is already approved for and has two (2) operating rooms, and these rooms will continue to be sufficient for the addition of orthopedics and podiatry surgery services. Plot Plan and footprints are included as *Attachments B.III.A. and B.IV.* The Applicant is Medicare and Medicaid accredited, and is also accredited by the Accreditation Association for Ambulatory Health Care, Inc.

The primary service area of the existing ASTC includes Bedford, Coffee and Lincoln Counties (77% of total patient origin). This proposed service area will not change. As reported on Joint Annual Reports for existing ASTCs in the primary service area, ASTCs in our service area performed 10,691 procedures in 2011, and hospitals performed 11,821 outpatient procedures in 2011 (see charts later in this application).

Funding for the project will be through cash reserves of the owner. This project is financially feasible, and compares very favorably to recent ASTC applications that have been filed with the HSDA. The Project Costs Chart indicates only \$90,000.00 to implement this project, \$50,000 of which have either already been paid or are soft costs (administrative costs in preparing the CON application). Only \$40,000.00 will be needed for equipment. A chart prepared by the HSDA and provided later in this application indicates that the median construction cost per ASTC for renovation/construction median was \$100.47/GSF for renovation, \$252.74/GSF for new construction. However, those computations are not believed to be applicable, since there will be no construction or renovation involved with this project, which simply adds two surgical services to an existing ASTC.

The ASTC's current and proposed payor mix is as follows: Medicaid, 55%; Commercial Insurance, 34%, Medicare, 9%; Self Pay, 1%, and Worker's Comp, 1%. The anticipated payor mix will be: Medicaid, 44%, Commercial Insurance, 39%, Medicare, 16%, Self Pay, 0.5%; and Worker's Comp, 0.5%.

We currently have sufficient staff to implement this project. Our additional staffing requirements will be less than one-half FTE for each of the following: RN, Scrub Tech, and Billing/Translator. In effect, our existing staff will suffice, but part-time employees will be working more hours.

The site is close to the center of Shelbyville, Bedford County, and is readily accessible to our patients and their families. Further, many of our patients speak Spanish only, and we employ one full time and one part time interpreter in order to better serve those patients.

The current physician owner, and other physicians who plan to utilize this ASTC if this application is approved, will continue to utilize inpatient facilities for all patients whose respective surgeries warrant such.

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II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

**If the project involves none of the above, describe the development of the proposal.**

**Response:** The Applicant is an existing ASTC in Shelbyville. It was originally approved (over the objection of the local hospital) on January 26, 2000 (CN9910-088A) as a single operating room (OR) outpatient surgical facility to provide only ENT, Laser and Cosmetic Surgery. Space was also approved for hearing tests/monitoring. The local hospital requested a contested case hearing on that initial application, but ultimately failed to pursue the case. The ASTC, originally approved to be adjacent to the owner's medical practice, was constructed adjacent to and immediately behind the owner's MOB as opposed to beside the MOB (due to physical constraints involving property lines). The first application was modified to allow its positioning behind the MOB, where it continues to function to this day.

Years later, the Applicant was again approved (over the objection of the local hospital) on June 22, 2005 to add a second OR and become a multi-specialty ASTC by the removal of surgical limitations on the ASTC (CN0503-022A). However, the local hospital again requested a contested case hearing on the second application, and after almost three years following approval of the application, the Applicant compromised with the local hospital to add the second OR (by converting the hearing tests room) and add ophthalmology to its list of approved surgical procedures, in exchange for dropping its approval to become a multi-specialty ASTC.

Over the ensuing years, the local hospital was sold to a chain, and a new hospital was constructed several miles from downtown Shelbyville on State Highway 231 toward Murfreesboro and across the highway from the county airport. The site of the new hospital is very accessible to the facility's corporate owner and its representatives as they fly in to the facility, but not so accessible to our patients in Bedford County who do not live close to Murfreesboro, nor is the hospital readily accessible to our patients from outside Bedford County. In addition, surgery scheduling at the hospital continues to be a problem for area surgeons, especially for outpatient procedures, and the Applicant has continually been asked to obtain approval to conduct additional surgical procedures at our site in downtown Shelbyville. The Applicant proposes to add only orthopedic and podiatry surgery, which can be accomplished by the addition of a used C-Arm which will cost only \$40,000, to be paid by cash reserves. The other administrative costs of this project have already been paid. There are no construction or renovation costs with this project.

The approval of this project will enhance the surgical care of patients in our service area. The addition of orthopedic and podiatry surgery services is needed, can be accomplished in a most cost-efficient manner, and will contribute to the orderly development of health care in the service area.

<sup>29</sup>  
**B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

**Response:** Not applicable.

**C. As the applicant, describe your need to provide the following health care services (if applicable to this application):**

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

**Response:** N/A, as no new services will be provided.

**D. Describe the need to change location or replace an existing facility.**

**Response:** N/A.

E. Describe the acquisition of any item of <sup>31</sup>major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost; (As defined by Agency Rule).
2. Expected useful life;
3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

Response: N/A.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

Response: N/A.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response: N/A.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*)
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

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*Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.*

**Response:**

1. The site is approximately 1.04 Acres. Please see attached plot plan (*Attachment B.III.A*).
2. Please see *Attachment B.III*. This attachment indicates the location of the existing facility. Please note that Dr. Canonico is the sole owner of the Applicant. His medical practice is located in the building closest to the street, and the existing ASTC is located in the building behind the medical practice, just to the left of the parking turnaround.
3. There is no proposed construction.
4. The site is located on Colloredo Blvd in Shelbyville, and is readily accessible to patients and their families.

**(B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.**

**Response:** The Center is located on Colloredo Boulevard, which is a major 4 lane bypass around the business district of Shelbyville. The Center is readily accessible, although there is little public transportation in this relatively small city. A convenience to patients is the fact that the ASTC is connected to the clinic and medical practice of Dr. Canonico, so the Center is very accessible.

In addition, Highway 41A between Shelbyville and Tullahoma is being improved to four lanes, which will improve road access to the ASTC from southeastern counties.



IV. Attach a floor plan drawing for the facility<sup>33</sup> which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

**NOTE: DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

**Response:** Please see *Attachment B.IV* for a footprint of the existing 4,041 GSF facility.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

**Response:** N/A.

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**SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

**QUESTIONS**

**NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.
  - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

**Response:** Please see *Attachment Specific Criteria*.

The State Health Plan lists the following Five Principles for Achieving Better Health, and are based on the Division's enacting legislation:

1. The purpose of the State Health Plan is to improve the health of Tennesseans;

The Applicant has been providing patients with outpatient surgical services for over a decade, and continues to this day. The operational success of the ASTC is testament to the fact that the facility is needed for the health of patients in the service area who need outpatient surgery. The Applicant’s goals are consistent with the State Health Plan, and this ASTC will continue to improve the health of Tennesseans.

2. Every citizen should have reasonable access to health care;

The Applicant accepts all patients who present for care, irrespective of their ability to pay. There is a fairly large Latino population in Bedford County – over twice the State average. The Applicant has provided interpreters for many years at its own cost to ensure that Spanish-speaking patients receive the finest health care possible.

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- 3. The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system;**

The development of services by the Applicant has always been the result of attempts to meet the needs of Tennesseans in its service area. In today's competitive market, patients are drawn to the best quality at the most affordable cost. The Applicant maintains its competitiveness by providing quality health care at an affordable cost, and did not oppose the construction of the new hospital in Shelbyville several years ago even though the location of the new hospital was less accessible to many citizens of Bedford County. This project will result in continued development of the state's health care system by improving access of outpatient surgical services to patients in our service area.

- 4. Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers; and**

Tennessee is fortunate to have an excellent licensing division of the Department of Health. The Board of Licensing Health Care Facilities provides standards for and monitoring of licensed health care providers. This Applicant is fully licensed by the Department of Health and had no deficiencies in its last licensure survey (attached later to this application).

- 5. The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.**

The Applicant is committed to providing safe working conditions and continuing education for its staff.

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c).**

**Response:** N/A.

2. Describe the relationship of this project<sup>36</sup> to the applicant facility's long-range development plans, if any.

**Response:** The Applicant has no long range development plans, other than to continue to provide affordable and quality health care to service area residents.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

**Response:** Our primary service area consists of Bedford, Coffee and Lincoln Counties, which three counties totaled 77% of our existing patients in 2011. Our proposed service area will not change, indicating the reasonableness of the service area. Please see patient origin chart below:

**Applicant's Patient Origin -- 2011**

County	% of Pts.
Bedford	39.0
Coffee	22.0
Franklin	7.0
Giles	0.5
Grundy	1.0
Lincoln	16.0
Marshall	11.0
Maury	0.5
Moore	0.5
Rutherford	2.0
Warren	0.5
<b>Total</b>	<b>100.0</b>

Please see *Attachment C.Need.3* for a map of the primary service area.

4. A. Describe the demographics of the <sup>37</sup> population to be served by this proposal.

**Response:** Bedford, Coffee and Lincoln Counties make up our primary service area. Please note sample population characteristics of the primary service area, as follows:

**Population Estimates for Primary Service Area and State of Tennessee**

State/County	2012 Pop.	2014 Pop.	2012–2014 Change
Bedford	48,083	49,718	3.4%
Coffee	54,707	55,790	2.0%
Lincoln	34,084	34,548	1.4%
Service Area	136,874	140,056	2.3%
Tennessee	6,361,070	6,470,546	1.7%

*Source: Population Estimates and Projections, Tennessee Counties and the State, 2010-2020, Office of Health Statistics, Bureau of Health Informatics, Tennessee Department of Health.*

**Population 65+ for Primary Service Area and State of Tennessee**

State/County	2012 Pop. 65+	2014 Pop. 65+	2012 Pop. % 65+	2014 Pop. % 65+	2012-2014 Change
Bedford	5,657	5,970	11.8%	12.0%	5.5%
Coffee	8,870	9,283	16.2%	16.6%	4.7%
Lincoln	5,733	5,994	16.8%	17.3%	4.6%
Service Area	20,260	21,247	14.8%	15.2%	4.9%
Tennessee			13.8%	14.4%	6.1%

*Source: Population Estimates and Projections, Tennessee Counties and the State, 2010-2020, Office of Health Statistics, Bureau of Health Informatics, Tennessee Department of Health.*

In addition, please note other population characteristics of the primary service area, as compared to the State of Tennessee, in the following chart:

**Selected Population Estimates for Primary Service Area and State of Tennessee**

<b>QuickFacts</b>	<b>Bedford</b>	<b>Coffee</b>	<b>Lincoln</b>	<b>Svc. Area</b>	<b>Tennessee</b>
White ('11)	88.3%	93.1%	90.0%	90.7%	79.5%
Black ('11)	8.3%	3.9%	7.2%	6.3%	16.9%
Hispanic ('11)	11.6%	3.9%	2.7%	6.3%	4.7%
Foreign Born ('11)	7.8%	3.0%	1.3%	4.3%	4.4%
English 2 <sup>nd</sup> Language ('11)	10.8%	4.7%	2.5%	6.3%	6.2%
High School Graduates	74.2%	81.4%	79.4%	78.3%	82.5%
Bachelor's Degree	12.8%	19.0%	15.8%	16.1%	22.7%
Homeownership	68.6%	72.3%	76.2%	72%	69.6%
Per Capital Income	\$18,471	\$20,737	\$22,811	\$20,481	\$23,722
Med. Household Income	\$38,550	\$40,078	\$42,962	\$40,363	\$43,314
% Below Poverty	21.7%	17.5%	15.9%	54.8%	16.5%
Pop/Square Mile ('10)	95.1	123.1	58.5	97.1	153.9
TennCare Enrollees ('11)					1,209,372
TennCare Enrollees/% Pop					* 18.7%

*Source: State and County QuickFacts, U.S. Bureau of Census. Data is for 2006 – 2010 unless otherwise noted. (See Attachment B.II.B for more data).*

*\* 2011 TennCare Enrollees divided by 2012 Pop.*

The Applicant does not and will not discriminate in any way, whether regarding admissions or in hiring practices, at its ASTC.

Please see *Attachment C.Need.4.A* for additional demographic data on the service area and the State of Tennessee.

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**B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.**

**Response:** Bedford County and Lincoln County are both federally-designated Medically Underserved Areas, and Bedford County has six Health Professional Shortage Areas. Please see *Attachment C.Need.4.B*.

Approval of this application will help address such shortages by providing another venue for health care professionals to provide services in the county.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

**Response:** The following information was obtained from the latest Joint Annual Reports ("JARs") from the existing ASTCs and hospitals (outpatient surgery data) in our primary service area:

**Patient Charge Data/Utilization, ASTCs  
Service Area, 2011**

County/Facility	ORs	# Proc	Avg Proc/OR	\$ Avg Gross	\$ Avg Deduct	\$ Avg Net
<b>Bedford</b>						
Center for ENT, Laser, Cosmetic	2	1,579	790	1,057	741	316
<b>Coffee</b>						
Center for Day Surgery	1	1,281	1,281	2,651	1,853	798
Crown Surgery Center	2	274	137	2,703	1,802	901
Tullahoma Surgery Center	2	7,557	3,779	1,186	725	461
Community Cancer Center*	N/A	N/A	N/A	N/A	N/A	N/A

*Source: Applicant reflects Calendar Year Data, Joint Annual Reports for ASTCs, 2011 (no ASTCs in Lincoln County)*

*\* Not Applicable, as this facility is a radiation oncology center*



**Utilization Data, Hospital Outpatient Surgery  
Service Area, 2011**

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County/Facility	ORs	Ded OP ORs	# Proc	Avg Proc/OR	# Encounters
<b>Bedford</b>					
Heritage Medical Center	3	1	2,656	885	2,349
<b>Coffee</b>					
Harton Regional Medical Center (1)	7	2	6,717	960	5,816
Medical Center of Manchester (2)	2	2	572	286	492
United Regional Medical Center (3)	2	3	1106	553	533
<b>Lincoln</b>					
Lincoln Medical Center	2	0	770	385	770

*Source: Joint Annual Reports for Hospitals, 2011 Provisional, Outpatient Only*

*NOTES: (1) Harton Regional Medical Center reported (on JARs) 7 inpatient plus 2 dedicated outpatient surgery suites. Contact indicated that it has a total of 9 operating rooms, with 2 being dedicated to outpatient surgery.*

*(2) Medical Center of Manchester reported (on JARs) 2 total ORs, with both being dedicated to Outpatient Surgery, yet performed surgery on inpatients. Contact indicated a total of 2 ORs, and both inpatient and outpatient surgeries are scheduled in both ORs.*

*(3) United Regional Medical Center reported (on JARs) 2 inpatient plus 3 outpatient ORs on JARs, yet when contacted stated they had a total of 2 ORs – one sterile OR plus one clean procedure room.*

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

**Response:** The Applicant provided 413, 394 and 330 outpatient surgical procedures in 2009 through 2011, respectively. We anticipate providing 602 and 646 procedures in Years 1 and 2, respectively.

Historic utilization has decreased due to the fact that one of the physicians associated with Dr. Canonico moved his family from Shelbyville. In effect, Dr. Canonico provides almost all of the outpatient surgical procedures at the ASTC, and utilizes only one of the two operating rooms two days each week. His main medical practice is in Shelbyville (adjacent to the ASTC), but he also maintains office hours and an active medical practice in Tullahoma. Therefore, the majority of his time is spent seeing patients, as opposed to performing outpatient procedures. Further, many relatively minor procedures can still be performed in his offices. Since the normal schedule of utilizing the ASTC two days each week makes it impractical to bring in personnel for a relatively minor procedure, patients occasionally receive such services in an office setting, further reducing the ASTC volume.

Based on the anticipated increase that the two additional surgeons will bring to the ASTC, utilization should almost double to utilizing both operating rooms two days each week. The orthopedic surgeon anticipates performing 248 and 270 outpatient procedures in Years 1 and 2, respectively, and the podiatrist anticipates performing 24 and 36 outpatient procedures during the same time.

These projections were based on how many surgical procedures were performed by these surgeons in 2011.

According to Dr. Wayne Mosley, an orthopedic surgeon in Shelbyville, it is very difficult and almost impossible for an orthopedic surgeon to provide necessary services for his/her patients without access to an ASTC. Dr. Mosley reports that he is losing 6 patients each week, as follows: at least 2 patients per week, when told they need surgery, go to some other town due to their respective insurance policies requiring them to utilize an outpatient surgery center for their procedures; and at least 4 patients call his office each week, ask if he can perform surgery in Shelbyville somewhere other than the local hospital. Insurance companies are not allowing potential patients to have outpatient surgical procedures performed in the local hospital due to higher costs.

Further, Dr. Russell Oliver, a local podiatrist, reports that his patients have issues with the local hospital and do not want to go there for surgery. Other patients' primary care physician is not on staff at the local hospital, and by the hospital's bylaws, a podiatrist needs a staff physician to clear all patients for surgery. The Applicant's physician anesthesiologist clears patients for surgery, but the local hospital does not have a physician anesthesiologist. Also, Dr. Oliver reports that his patients have such high deductibles now on their respective insurance policies that having surgery in the local hospital is cost prohibitive. Finally, patients have informed Dr. Oliver that ASTC surgery costs them half of the cost of the same surgery in the local hospital, so they go elsewhere.

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

**Response:** The Project Costs Chart is completed. There are no renovation or construction costs. The only costs involve \$50,000 in administrative and other costs (already paid), plus \$40,000 for a refurbished C-Arm for one of the operating rooms.

Although probably not applicable, the chart below, prepared by the HSDA, indicates construction costs for recent nursing home applications. A review of these average costs indicate this particular project is financially feasible.

#### Ambulatory Surgical Treatment Center Construction Cost Per Square Foot

Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1 <sup>st</sup> Quartile	\$40.09/sq ft	\$200.00/sq ft	\$54.06/sq ft
Median	\$100.47/sq ft	\$252.74/sq ft	\$134.57/sq ft
3 <sup>rd</sup> Quartile	\$195.00/sq ft	\$371.75/sq ft	\$252.74/sq ft

*Source: CON approved applications for years 2009 through 2011*

## PROJECT COSTS CHART

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## A. Construction and equipment acquired by purchase.

1. Architectural and Engineering Fees	\$
2. Legal, Administrative (Excluding CON Filing Fee), Consultant	50,000
3. Acquisition of Site	
4. Preparation of Site	
5. Construction Costs	
6. Contingency Fund	
7. Fixed Equipment (Not included in Construction Contract)	
8. Moveable Equipment (List all equipment over \$50,000)*	40,000
9. Other (Specify)	
<hr/>	
<b>Subsection A Total</b>	<b>90,000</b>

## B. Acquisition by gift, donation, or lease.

1. Facility (Inclusive of Building and Land)	
2. Building Only	
3. Land Only	
4. Equipment (Specify)	
5. Other (Specify)	
<hr/>	
<b>Subsection B Total</b>	

## C. Financing costs and fees

1. Interim Financing	
2. Underwriting Costs	
3. Reserve for One Year's Debt Service	
4. Other (Specify)	
<hr/>	
<b>Subsection C Total</b>	<b>0</b>

D. Estimated Project Cost (A + B + C)	\$	<b>90,000.00</b>
E. CON Filing Fee	\$	<b>3,000.00</b>
F. Total Estimated Project Cost (D + E)	<b>TOTAL</b>	<b>\$ 93,000.00</b>

*Note: Administrative costs are already paid. The only "new" funds needed are for the equipment.*

2. Identify the funding sources for this project.

- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

- ☐ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☒ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F. Other—Identify and document funding from all other sources.

**Response:** This project will be financed with cash reserves, and sufficient funds have been deposited and are dedicated to this project. Please see *Attachment C.EF.2*.

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3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

**Response:** The Project Costs Chart is completed. There are no renovation or construction costs. The only costs involve \$50,000 in administrative and other costs (already paid), plus \$40,000 for a refurbished C-Arm for one of the operating rooms.

Although probably not applicable, the chart below, prepared by the HSDA, indicates construction costs for recent nursing home applications. A review of these average costs indicate this particular project is financially feasible.

**Ambulatory Surgical Treatment Center Construction Cost Per Square Foot**

**Years: 2009 – 2011**

	<b>Renovated Construction</b>	<b>New Construction</b>	<b>Total Construction</b>
<b>1<sup>st</sup> Quartile</b>	\$40.09/sq ft	\$200.00/sq ft	\$54.06/sq ft
<b>Median</b>	\$100.47/sq ft	\$252.74/sq ft	\$134.57/sq ft
<b>3<sup>rd</sup> Quartile</b>	\$195.00/sq ft	\$371.75/sq ft	\$252.74/sq ft

*Source: CON approved applications for years 2009 through 2011*

4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

**Response:** Historical and Projected Data Charts are completed.

Historical Data Chart: Completed. It is important to note that Dr. Canonico had major surgery himself in 2011, and he performed fewer surgeries that year due to his own recuperation. The end result is that the ASTC had a negative bottom line in 2011. He is now healthy, and the ASTC is on track to have a positive cash flow for 2012.

Also, please note that the Historical Data Chart reflects calendar year data for the Applicant, whereas the Joint Annual Reports of the Applicant reflect annual records beginning on July 01. Therefore, the data will not be exact, but are comparable. For example, the Applicant's JARs indicate that the ASTC had 1,157 patients from 2009 – 2011, but the Historical Data Chart reports 1,137 patients for the three calendar years..

Projected Data Chart: Completed.

Please note that there is no provision for "Charity Care" in the Projected Data Chart. Neither Dr. Canonico nor his ASTC has ever denied care to any individual based on that individual's inability to pay for such care. Almost all patients have some reimbursement mechanism, whether it be through governmental financial reimbursement or through personal payments over an extended period of time. From an accounting perspective, Dr. Canonico decided at the end of 2011 to not even keep up with which specific patients did, in fact, have to be written off, whether it was due to Bad Debt or Charity Care. Since he never refused care to any patient and would accept what he received, the accounting for such was considered to be an inefficient use of staff time.

# HISTORICAL<sup>48</sup> DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency.  
The fiscal year begins in January (month).

Response:

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	<u>2011</u>	<u>2010</u>	<u>2009</u>
A. Utilization/Occupancy Rate (Patients)	<u>330</u>	<u>394</u>	<u>413</u>
B. Revenue from Services to Patients			
1. Inpatient Services	<u>1,589,405</u>	<u>2,241,164</u>	<u>2,182,067</u>
2. Outpatient Services	<u>78,621</u>	<u>49,542</u>	<u>(12,870)</u>
3. Emergency Services			
4. Other Operating Revenue (Specify) <u>A/R Change</u>	<u>1,668,026</u>	<u>2,290,706</u>	<u>2,169,197</u>
<b>Gross Operating Revenue</b>	<b><u>1,668,026</u></b>	<b><u>2,290,706</u></b>	<b><u>2,169,197</u></b>
C. Deductions from Operating Revenue			
1. Contractual Adjustments	<u>1,143,768</u>	<u>1,587,176</u>	<u>1,485,264</u>
2. Provision for Charity Care	<u>6,521</u>	<u>6,597</u>	<u>17,176</u>
3. Provision for Bad Debt	<u>18,491</u>	<u>21,922</u>	<u>3,215</u>
<b>Total Deductions</b>	<b><u>1,168,780</u></b>	<b><u>1,615,695</u></b>	<b><u>1,505,655</u></b>
<b>NET OPERATING REVENUE</b>	<b><u>499,246</u></b>	<b><u>675,011</u></b>	<b><u>663,542</u></b>
D. Operating Expenses			
1. Salaries and Wages	<u>114,522</u>	<u>123,693</u>	<u>122,738</u>
2. Physician's Salaries and Wages	<u>71,576</u>	<u>64,974</u>	<u>75,718</u>
3. Supplies	<u>1,380</u>	<u>4,222</u>	<u>3,029</u>
4. Taxes	<u>18,150</u>	<u>414</u>	<u>4,227</u>
5. Depreciation	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
6. Rent			
7. Interest, other than Capital			
8. Management Fees:			
a. Fees to Affiliates			
b. Fees to Non-Affiliates			
9. Other Expenses (Specify) <u>see attached chart</u>	<u>206,750</u>	<u>305,278</u>	<u>307,438</u>
<b>Total Operating Expenses</b>	<b><u>532,378</u></b>	<b><u>618,581</u></b>	<b><u>633,150</u></b>
E. Other Revenue (Expenses)-Net (Specify) _____	<u>(33,132)</u>	<u>56,430</u>	<u>30,392</u>
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>(33,132)</u></b>	<b><u>56,430</u></b>	<b><u>30,392</u></b>
F. Capital Expenditures			
1. Retirement of Principal			
2. Interest			
<b>Total Capital Expenditure</b>			
<b>NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES</b>	<b><u>(33,132)</u></b>	<b><u>56,430</u></b>	<b><u>30,392</u></b>



## PROJECTED DATA CHART

## SUPPLEMENTAL- # 1

November 26, 2012

Give information for the two (2) years following the completion of this project. The fiscal year begins in January (month). 03:10pm

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	Year 1	Year 2
A. Utilization/Occupancy Rate (Patients)	<u>602</u>	<u>646</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>2,306,587</u>	<u>2,424,740</u>
2. Outpatient Services	<u>                    </u>	<u>                    </u>
3. Emergency Services	<u>                    </u>	<u>                    </u>
4. Other Operating Revenue (Specify) _____	<u>                    </u>	<u>                    </u>
<b>Gross Operating Revenue</b>	<b><u>2,306,587</u></b>	<b><u>2,424,740</u></b>
C. Deductions from Operating Revenue		
1. Contractual Adjustments	<u>1,499,282</u>	<u>1,576,081</u>
2. Provision for Charity Care	<u>                    </u>	<u>                    </u>
3. Provision for Bad Debt	<u>46,132</u>	<u>48,495</u>
<b>Total Deductions</b>	<b><u>1,545,414</u></b>	<b><u>1,624,576</u></b>
<b>NET OPERATING REVENUE</b>	<b><u>761,173</u></b>	<b><u>800,164</u></b>
D. Operating Expenses		
1. Salaries and Wages	<u>175,396</u>	<u>180,000</u>
2. Physician's Salaries and Wages	<u>                    </u>	<u>                    </u>
3. Supplies	<u>208,000</u>	<u>215,000</u>
4. Taxes	<u>4,400</u>	<u>4,400</u>
5. Depreciation	<u>13,193</u>	<u>20,187</u>
6. Rent	<u>120,000</u>	<u>120,000</u>
7. Interest, other than Capital	<u>                    </u>	<u>                    </u>
8. Management Fees:	<u>                    </u>	<u>                    </u>
a. Fees to Affiliates	<u>                    </u>	<u>                    </u>
b. Fees to Non-Affiliates	<u>                    </u>	<u>                    </u>
9. Other Expenses (Specify) <u>see attached chart</u>	<u>230,518</u>	<u>237,440</u>
<b>Total Operating Expenses</b>	<b><u>751,507</u></b>	<b><u>777,027</u></b>
E. Other Revenue (Expenses)-Net (Specify)	<u>0</u>	<u>0</u>
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>9,666</u></b>	<b><u>23,137</u></b>
F. Capital Expenditures		
1. Retirement of Principal	<u>                    </u>	<u>                    </u>
2. Interest (on Letter of Credit)	<u>                    </u>	<u>                    </u>
<b>Total Capital Expenditure</b>	<u>                    </u>	<u>                    </u>
<b>NET OPERATING INCOME (LOSS) LESS</b>		
<b>CAPITAL EXPENDITURES</b>	<b><u>9,666</u></b>	<b><u>23,137</u></b>

## OTHER EXPENSES

Other Expenses	2011	2010	2009	Yr-1	Yr-2
Utilities	26,645	28,754	29,163	28,000	29,000
Linen	15,207	17,685	13,638	24,000	24,000
Maintenance Contracts	9,719	7,645	9,420	12,000	12,000
Billing Contract	61,518	173,304	166,477	92,263	96,990
Insurance – Property	2,761	2,761	2,761	2,555	2,750
Insurance – Professional	8,370	4,662	8,445	4,200	4,200
Repairs & Maintenance	34,493	13,694	23,395	26,000	28,000
Legal/Prof/Accounting	7,186	7,242	16,506	10,000	10,000
Advertising	1,356	1,175	772	1,500	2,000
Continuing Education	11,993	3,465	5,110	5,000	3,500
Cleaning Service	2,900	3,200	3,700	4,000	4,000
Outside Services	18,267	3,439	19,061	14,000	14,000
Travel/Meals	3,937	2,018	2,410	5,000	5,000
Dues/Subscriptions	2,318	1,184	552	2,000	2,000
Miscellaneous	0	35,050	6,058	0	0
<b>TOTAL (line D.9)</b>	<b>206,670</b>	<b>305,278</b>	<b>301,410</b>	<b>230,518</b>	<b>237,440</b>

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5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

**Response:** Please see following chart for a comparison of 2011 and Year 1 procedure charges:

**The Center for ENT, Laser & Cosmetic Surgery, LLC  
Utilization/Charges**

	2011	Year 1
Number of Patients	330	602
Number of Procedures	1,579	2,880
Gross Revenue	\$1,668,026	\$2,306,587
Deductions	\$1,168,780	\$1,545,414
Net Revenue	\$499,246	\$761,173
Average Gross/Patient	\$5,055	\$3,832
Average Deduction	\$3,542	\$2,567
Average Net/Patient	\$1,513	\$1,265
Average Gross/Procedure	\$1,057	\$801
Average Deductions	\$741	\$537
Average Net/Procedure	\$316	\$264

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

**Response:** Please see following chart for a comparison of 2011 and Year 1 procedure charges:

**The Center for ENT, Laser & Cosmetic Surgery, LLC  
Utilization/Charges**

	2011	Year 1
Number of Patients	330	602
Number of Procedures	1,579	2,880
Gross Revenue	\$1,668,026	\$2,306,587
Deductions	\$1,168,780	\$1,545,414
Net Revenue	\$499,246	\$761,173
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Average Deduction	\$3,542	\$2,567
Average Net/Patient	\$1,513	\$1,265
Average Gross/Procedure	\$1,057	\$801
Average Deductions	\$741	\$537
Average Net/Procedure	\$316	\$264

With the anticipated increase in number of patients, gross, deductions, and net figures increase. However, with the anticipated efficiencies of utilizing our ASTC, the average costs, both gross and net, will decrease. At the same time, the ASTC will operate at a positive cash flow following implementation of the project.

The anticipated gross revenue figure above is further broken down as follows:

\$1,714,350	Anticipated ENT procedures, based on current utilization
559,012	Orthopedic procedures, based on utilization of surgeon
33,225	Podiatry procedures, based on utilization of surgeon
\$2,306,587	Total anticipated Gross Revenue

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B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**Response:** The following information was obtained from the latest Joint Annual Reports ("JARs") from the existing ASTCs and hospitals (outpatient surgery data) in our primary service area:

**Patient Charge Data/Utilization, ASTCs  
Service Area, 2011**

County/Facility	ORs	# Proc	Avg Proc/OR	\$ Avg Gross	\$ Avg Deduct	\$ Avg Net
<b>Bedford</b>						
Center for ENT, Laser, Cosmetic	2	1,579	790	1,057	741	316
<b>Coffee</b>						
Center for Day Surgery	1	1,281	1,281	2,651	1,853	798
Crown Surgery Center	2	274	137	2,703	1,802	901
Tullahoma Surgery Center	2	7,557	3,779	1,186	725	461
Community Cancer Center*	N/A	N/A	N/A	N/A	N/A	N/A

*Source: Applicant reflects Calendar Year Data, Joint Annual Reports for ASTCs, 2011 (no ASTCs in Lincoln County)*

*\* Not Applicable, as this facility is a radiation oncology center*

**Utilization Data, Hospital Outpatient Surgery  
Service Area, 2011**

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County/Facility	ORs	Ded OP ORs	# Proc	Avg Proc/OR	# Encounters
<b>Bedford</b>					
Heritage Medical Center	3	1	2,656	885	2,349
<b>Coffee</b>					
Harton Regional Medical Center (1)	7	2	6,717	960	5,816
Medical Center of Manchester (2)	2	2	572	286	492
United Regional Medical Center (3)	2	3	1106	553	533
<b>Lincoln</b>					
Lincoln Medical Center	2	0	770	385	770

*Source: Joint Annual Reports for Hospitals, 2011 Provisional, Outpatient Only*

*NOTES: (1) Harton Regional Medical Center reported (on JARs) 7 inpatient plus 2 dedicated outpatient surgery suites. Contact indicated that it has a total of 9 operating rooms, with 2 being dedicated to outpatient surgery.*

*(2) Medical Center of Manchester reported (on JARs) 2 total ORs, with both being dedicated to Outpatient Surgery, yet performed surgery on inpatients. Contact indicated a total of 2 ORs, and both inpatient and outpatient surgeries are scheduled in both ORs.*

*(3) United Regional Medical Center reported (on JARs) 2 inpatient plus 3 outpatient ORs on JARs, yet when contacted stated they had a total of 2 ORs – one sterile OR plus one clean procedure room.*

The Applicant's Year 1 comparable projections to the above two charts are:

**The Center for ENT, Laser & Cosmetic Surgery, LLC**

<b>County/Facility</b>	<b>ORs</b>	<b># Proc</b>	<b>\$ Avg Gross</b>	<b>\$ Avg Deduct</b>	<b>\$ Avg Net</b>
<b>Bedford</b>					
Center for ENT, Laser, Cosmetic	2	2,880	801	537	264

Note: For the three previous charts, "\$ Avg Gross" = average gross charge per procedure or encounter, "\$ Avg Deduct" = average deductions per procedure or encounter, and "\$ Avg. Net" = average net charge per procedure or encounter. Further, the number of procedures (2,880) are an estimate based on the respective number of procedures and patients in 2011 (374 patients generated 1,789 procedures, according to the 2011 JAR. Therefore, 602 patients would generate an estimated 2,880 procedures in Year 1).

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

**Response:** The Projected Data Chart indicates sufficient income to maintain cost-effectiveness, with a positive cash flow in both Years 1 and 2. Obviously, income is dependent upon rendering services to a sufficient number of patients. As the Applicant's owner has been in business for many years, the Applicant feels comfortable with the projections.

Obviously, much of the increase will be with the new services proposed for the Applicant. The Applicant provided 413, 394 and 330 outpatient surgical procedures in 2009 through 2011, respectively. We anticipate providing 602 and 646 procedures in Years 1 and 2, respectively.

Historic utilization has decreased due to the fact that one of the physicians associated with Dr. Canonico moved his family from Shelbyville. In effect, Dr. Canonico provides almost all of the outpatient surgical procedures at the ASTC, and utilizes only one of the two operating rooms two days each week. His main medical practice is in Shelbyville (adjacent to the ASTC), but he also maintains office hours and an active medical practice in Tullahoma. Therefore, the majority of his time is spent seeing patients, as opposed to performing outpatient procedures. Further, many relatively minor procedures can still be performed in his offices. Since the normal schedule of utilizing the ASTC two days each week makes it impractical to bring in personnel for a relatively minor procedure, patients occasionally receive such services in an office setting, further reducing the ASTC volume.

Based on the anticipated increase that the two additional surgeons will bring to the ASTC, utilization should almost double to utilizing both operating rooms two days each week. The orthopedic surgeon anticipates performing 248 and 270 outpatient procedures in Years 1 and 2, respectively, and the podiatrist anticipates performing 24 and 36 outpatient procedures during the same time.

These projections were based on how many surgical procedures were performed by these surgeons in 2011.

According to Dr. Wayne Mosley, an orthopedic surgeon in Shelbyville, it is very difficult and almost impossible for an orthopedic surgeon to provide necessary services for his/her patients without access to an ASTC. Dr. Mosley reports that he is losing 6 patients each week, as follows: at least 2 patients per week, when told they need surgery, go to some other town due to their respective insurance policies requiring them to utilize an outpatient surgery center for their procedures; and at least 4 patients call his office each week, ask if he can perform surgery in Shelbyville somewhere other than the local hospital. Insurance companies are not allowing potential patients to have outpatient surgical procedures performed in the local hospital due to higher costs.

Further, Dr. Russell Oliver, a local podiatrist, reports that his patients have issues with the local hospital and do not want to go there for surgery. Other patients' primary care physician is not on staff at the local hospital, and by the hospital's bylaws, a podiatrist needs a staff physician to clear all patients for surgery. The Applicant's physician anesthesiologist clears patients for surgery, but the local hospital does not have a physician anesthesiologist. Also, Dr. Oliver reports that his patients have such high deductibles now on their respective insurance policies that having surgery in the local hospital is cost prohibitive. Finally, patients have informed Dr. Oliver that ASTC surgery costs them half of the cost of the same surgery in the local hospital, so they go elsewhere.



8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

**Response:** The Projected Data Chart indicates sufficient income to maintain cost-effectiveness, with a positive cash flow in both Years 1 and 2. Obviously, income is dependent upon rendering services to a sufficient number of patients. As the Applicant's owner has been in business for many years, the Applicant feels comfortable with the projections.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

**Response:** The ASTC participates in both the Medicare and Medicaid programs, and this participation will continue with the approval of this application. The chart below lists the payor sources for 2011 and what is projected for Year 1:

**The Center for ENT, Laser & Cosmetic Surgery, LLC**

Payor Source	2011	Year 1
Medicaid/TennCare	55%	44%
Commercial Insurance	34%	39%
Medicare	9%	16%
Self Pay	1%	0.5%
Worker's Comp	1%	0.5%

The most notable change anticipated between 2011 and Year 1 involves the addition of orthopedic procedures. Many of these procedures will be for elderly patients, and they are more likely to be reimbursed by Medicare. Further, orthopedic procedures are more likely to be reimbursed by commercial insurance. Therefore, the Applicant anticipates an increase in Medicare and Commercial Insurance reimbursement, with a decrease in Medicaid/TennCare reimbursement.

Using the Year 1 anticipated percentages, the following assumptions are made:

Assuming net revenue of \$761,173 the first year, approximately \$121,788 will be reimbursed by Medicare (Net Revenue of \$761,173 x 16% Medicare), and approximately \$34,253 will be reimbursed by the State for Medicaid patients (Net Revenue of \$761,173 x 44% Medicaid x 30% State Share).

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

**Response:** Please see *Attachment C.EF.10*, which shows sufficient funds are available for this project. These financial statements are not audited, and the Applicant does not have audited financials.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

**Response:** The Applicant has been in business for several years. Over the years, the local hospital has initiated discussions with the Applicant to purchase the ASTC. However, the Applicant's owner has maintained the independence of the ASTC as a viable alternative to service area patients needing outpatient surgery. On one occasion, the Applicant applied for and was approved to be a multi-specialty facility. During the contested case hearing, however, a compromise was reached where the ASTC could add one OR and one additional service (ophthalmology) in exchange for the ASTC to not pursue being a multispecialty ASTC. Even so, local surgeons have requested the Applicant to add surgical services to its license through CON.

Therefore, at least one alternative that has been considered was to negotiate with the local hospital to purchase the ASTC, which would allow the hospital to pursue multi-specialty status without local opposition. That alternative was discarded, however, as the owner of the Applicant felt that the very nature of having a large health care chain operate both a hospital and an ASTC in the same community would not provide a viable choice for local patients in deciding where to receive outpatient surgery.

No other alternatives were considered, as relates to the addition of these two surgical specialties.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

**Response:** The Applicant has a sufficient physical plant for the addition of these two surgical services. The ASTC is licensed, and received no deficiencies during its last survey by the Department of Health. As the existing ORs are underutilized, the existing ASTC can be used more efficiently with the addition of these services.

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## CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

**Response:** The Applicant has transfer agreements with Heritage Medical Center in Shelbyville and Middle Tennessee Medical Center in Murfreesboro. These agreements will continue.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

**Response:** As stated, much of the increase is due to the surgical procedures that will be performed by the addition of orthopedics and podiatry. For the most part, most of these procedures are going to other outpatient centers – not the local hospital. As reported, patients either have issues with the local hospital, or will incur higher charges at the local hospital. Therefore, the vast majority of patients who will be served with this addition are not going to the local hospital, and there will be no duplication or competition issues.

61

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

**Response:** The addition of orthopedics and podiatry surgical services can be accomplished without having to hire additional staff. Our ASTC is part time, as the ASTC is not utilized full time. These part time personnel will work more hours with the addition of these services, but no new personnel will be required.

Existing and Year 1 ASTC personnel and salary ranges are given below:

**The Center for ENT, Laser & Cosmetic Surgery, LLC  
ASTC Personnel**

Position	Current FTE	Year 1 FTE	Salary Range
RN	1.7	2.1	\$26 - \$28/hour
Scrub Tech	0.3	0.6	\$16 - \$18/hour
Translator	0.3	0.5	\$18/hour

- 62
4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

**Response:** The addition of orthopedics and podiatry surgical services can be accomplished without having to hire additional staff. Our ASTC is part time, as the ASTC is not utilized full time. These part time personnel will work more hours with the addition of these services, but no new personnel will be required.

Existing and Year 1 ASTC personnel and salary ranges are given below:

**The Center for ENT, Laser & Cosmetic Surgery, LLC  
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Position	Current FTE	Year 1 FTE	Salary Range
RN	1.7	2.1	\$26 - \$28/hour
Scrub Tech	0.3	0.6	\$16 - \$18/hour
Translator	0.3	0.5	\$18/hour

In addition, please see *Attachment C.OD.3* for prevailing wage patterns in the area.

- 63
5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

**Response:** The Applicant is familiar with all licensing certification requirements for medical/clinical staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (*e.g., internships, residencies, etc.*).

**Response:** There is no current training by the Applicant as contemplated by this question.

64  
7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

**Response:** The Applicant is familiar with all licensure requirements of the regulatory agencies of the State.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

**Response:**

Licensure: Tennessee Department of Health

Accreditation: Medicare, Medicaid, Accreditation Association for Ambulatory Health Care, Inc.

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

**Response:** The Applicant is licensed by the Tennessee Department of Health, and had no deficiencies during its last survey. Further, the Applicant is accredited by Medicare, Medicaid, and the Accreditation Association for Ambulatory Health Care, Inc. As such, the Applicant is currently in good standing with all of these entities. Please see *Attachment C.OD.7.c*.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

**Response:** The applicant had no deficiencies during its last survey. Please see *Attachment C.OD.7.d*.



- 65
8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

**Response:** There have been no final orders or judgments as are contemplated by this question.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

**Response:** There have been no final orders or judgments as are contemplated by this question.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

**Response:** The Applicant will provide all data contemplated by this question.

## PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared, with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

**Response:** If the requested documentation is not attached, it will be submitted once received.

## DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.

Form HF0004  
 Revised 05/03/04  
 Previous Forms are obsolete

# 67 PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c): 01/2013.

Assuming the CON approval becomes the final agency action on that date, 2012 OCT 15 PM 3:06 indicate the number of day from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	_____	_____
2. Construction documents approved by the Tennessee Department of Health	_____	_____
3. Construction contract signed	_____	_____
4. Building permit secured	_____	_____
5. Site preparation completed	_____	_____
6. Building construction commenced	_____	_____
7. Construction 40% complete	_____	_____
8. Construction 80% complete	_____	_____
9. Construction 100% complete (approved for occupancy (renovation))	_____	_____
10. *Issuance of license	30	02/2013
11. *Initiation of service	30	02/2013
12. Final Architectural Certification of Payment	_____	_____
13. Final Project Report Form (HF0055)	_____	_____

**\* For projects that do NOT involve construction or renovation : Please complete items 10 and 11 only.**

**Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.**

<sup>68</sup>  
AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

2012 OCT 15 PM 3:06

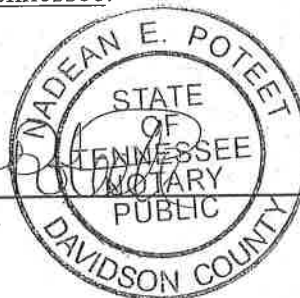
E. Graham Baker, Jr., being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of his/her knowledge.

E. Graham Baker, Jr., ATTORNEY  
SIGNATURE/TITLE

Sworn to and subscribed before me this 15<sup>th</sup> day of October, 2012, a  
(month) (year)

Notary Public in and for the County/State of Davidson/Tennessee.

Nadean E. Poteet  
NOTARY PUBLIC



My commission expires May 6th, 2013.  
(Month/Day) (Year)

## AMBULATORY SURGICAL TREATMENT CENTERS

Following are responses to the specific criteria for Ambulatory Surgical Treatment Centers on pages 51 and 52 of Tennessee's Health: Guidelines for Growth:

1. *The need for ambulatory surgical services shall be based upon the following assumptions:*

a. *An operating room is available 250 days per year, 8 hours per day.*

**Response:** Our ASTC is and will continue to be available 250 days per year, 8 hours per day.

b. *The average time per outpatient surgery case is 60 minutes.*

**Response:** Our average time per outpatient procedure is less than 60 minutes.

c. *The average time for clean-up and preparation between outpatient surgery cases is 30 minutes.*

**Response:** Our average clean-up time between procedures is less than 30 minutes.

d. *The expected capacity of a dedicated, outpatient, general purpose operating room is 80% of full capacity. That equates to 800 cases per year.*

**Response:** See chart below:

### The Center for ENT, Laser & Cosmetic Surgery, LLC

County/Facility	ORs	# Proc	\$ Avg Gross	\$ Avg Deduct	\$ Avg Net
<b>Bedford</b>					
Center for ENT, Laser, Cosmetic	2	2,880	801	537	264

e. *Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.*

**Response:** The following information was obtained from the latest Joint Annual Reports ("JARs") from the existing ASTCs and hospitals (outpatient surgery data) in our primary service area:

**Patient Charge Data/Utilization, ASTCs  
Service Area, 2011**

<b>County/Facility</b>	<b>ORs</b>	<b># Proc</b>	<b>Avg Proc/OR</b>	<b>\$ Avg Gross</b>	<b>\$ Avg Deduct</b>	<b>\$ Avg Net</b>
<b>Bedford</b>						
Center for ENT, Laser, Cosmetic	2	1,579	790	1,057	741	316
<b>Coffee</b>						
Center for Day Surgery	1	1,281	1,281	2,651	1,853	798
Crown Surgery Center	2	274	137	2,703	1,802	901
Tullahoma Surgery Center	2	7,557	3,779	1,186	725	461
Community Cancer Center*	N/A	N/A	N/A	N/A	N/A	N/A

*Source: Applicant reflects Calendar Year Data, Joint Annual Reports for ASTCs, 2011 (no ASTCs in Lincoln County)*

*\* Not Applicable, as this facility is a radiation oncology center*

**Utilization Data, Hospital Outpatient Surgery  
Service Area, 2011**

County/Facility	ORs	Ded OP ORs	# Proc	Avg Proc/OR	# Encounters
<b>Bedford</b>					
Heritage Medical Center	3	1	2,656	885	2,349
<b>Coffee</b>					
Harton Regional Medical Center (1)	7	2	6,717	960	5,816
Medical Center of Manchester (2)	2	2	572	286	492
United Regional Medical Center (3)	2	3	1106	553	533
<b>Lincoln</b>					
Lincoln Medical Center	2	0	770	385	770

*Source: Joint Annual Reports for Hospitals, 2011 Provisional, Outpatient Only*

*NOTES: (1) Harton Regional Medical Center reported (on JARs) 7 inpatient plus 2 dedicated outpatient surgery suites. Contact indicated that it has a total of 9 operating rooms, with 2 being dedicated to outpatient surgery.*

*(2) Medical Center of Manchester reported (on JARs) 2 total ORs, with both being dedicated to Outpatient Surgery, yet performed surgery on inpatients. Contact indicated a total of 2 ORs, and both inpatient and outpatient surgeries are scheduled in both ORs.*

*(3) United Regional Medical Center reported (on JARs) 2 inpatient plus 3 outpatient ORs on JARs, yet when contacted stated they had a total of 2 ORs – one sterile OR plus one clean procedure room.*

2. *“Service Area” shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of its service recipients reside.*

**Response:** Our primary service area consists of Bedford, Coffee and Lincoln Counties, which three counties totaled 77% of our existing patients in 2011. Our proposed service area will not change, indicating the reasonableness of the service area. Please see patient origin chart below:

**Applicant’s Patient Origin -- 2011**

County	% of Pts.
Bedford	39.0
Coffee	22.0
Franklin	7.0
Giles	0.5
Grundy	1.0
Lincoln	16.0
Marshall	11.0
Maury	0.5
Moore	0.5
Rutherford	2.0
Warren	0.5
<b>Total</b>	<b>100.0</b>

Please see *Attachment C.Need.3* for a map of the primary service area.

Currently, there are no hospital operating rooms in Bedford County that are dedicated to outpatient surgery, and there is only one existing ASTC in Bedford County (the Applicant). There are no hospital operating rooms in Coffee County that are dedicated to outpatient surgery, and there are three ASTCs in Coffee County. There are no hospital operating rooms in Lincoln County that are dedicated to outpatient surgery, and there are no existing ASTCs in Lincoln County.

3. *The majority of the population of a service area for ambulatory surgical services should reside within 30 minutes travel time to the facility.*

The majority of our patients in our primary service area live within a 30-minute drive of our facility.



4. *All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days x 4 surgeries/procedures x .80.*

There were 790 procedures per operating room performed at the Applicant's facility in 2011, and the only surgeon there was incapacitated for some of that time due to having had surgery himself.

There will be no problem in exceeding this guideline, as Dr. Canonico is now healthy again, and the Applicant hopes to add orthopedics and podiatry.

5. *A certificate of need (CON) proposal to establish a new ambulatory surgical treatment center or to expand the existing services of an ambulatory treatment center shall not be approved unless the existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the Health Services and Development Agency may consider proposals for additional facilities under the following conditions: proposals for facilities offering limited-specialty type programs or proposals for facilities where accessibility to surgical services is limited.*

**Response:** See utilization charts for both ASTCs and hospital outpatient surgery in the service area:

**Patient Charge Data/Utilization, ASTCs  
Service Area, 2011**

County/Facility	ORs	# Proc	Avg Proc/OR	\$ Avg Gross	\$ Avg Deduct	\$ Avg Net
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Community Cancer Center*	N/A	N/A	N/A	N/A	N/A	N/A

*Source: Applicant reflects Calendar Year Data, Joint Annual Reports for ASTCs, 2011 (no ASTCs in Lincoln County)*

*\* Not Applicable, as this facility is a radiation oncology center*

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*NOTES: (1) Harton Regional Medical Center reported (on JARs) 7 inpatient plus 2 dedicated outpatient surgery suites. Contact indicated that it has a total of 9 operating rooms, with 2 being dedicated to outpatient surgery.*

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*(3) United Regional Medical Center reported (on JARs) 2 inpatient plus 3 outpatient ORs on JARs, yet when contacted stated they had a total of 2 ORs – one sterile OR plus one clean procedure room.*

- 6. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.**

**Response:** The Center now has two operating rooms, and no additional rooms are requested.

- 7. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.**

**Response:** The Applicant conservatively projects performing 2,880 and 3,090 procedures during the next two years of operation. Based on those projections, the quarterly projections would be as follows:

1 <sup>st</sup>	690	5 <sup>th</sup>	750
2 <sup>nd</sup>	720	6 <sup>th</sup>	760
3 <sup>rd</sup>	730	7 <sup>th</sup>	780
4 <sup>th</sup>	740	8 <sup>th</sup>	800

The Applicant has no specific methodology for making these projections. Total projections were based on combining historic utilization with the additional procedures that are now “lost” by the two surgeons desiring privileges at our Center. The Applicant understands there will be a “ramping up” process, but has no way of specifically stating exactly how many of these procedures would occur by quarter.

8. *A CON proposal to establish an ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center must project patient origin by percentage by county of residence. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.*

**Response:** Our primary service area consists of Bedford, Coffee and Lincoln Counties, which three counties totaled 77% of our existing patients in 2011. Our proposed service area will not change, indicating the reasonableness of the service area. Please see patient origin chart below:

**Applicant's Patient Origin -- 2011**

County	% of Pts.
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Giles	0.5
Grundy	1.0
Lincoln	16.0
Marshall	11.0
Maury	0.5
Moore	0.5
Rutherford	2.0
Warren	0.5
<b>Total</b>	<b>100.0</b>

There is no specific methodology in determining our proposed service area, other than examining our existing service area. We anticipate no change.

## NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that The Center for ENT, Laser & Cosmetic Surgery, LLC, 310 Colloredo Blvd., Suite B, Shelbyville (Bedford County), Tennessee 37160 ("Applicant") owned and managed by itself, intends to file a Certificate of Need application for the addition of orthopedic and podiatry surgery. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately \$200,000.00.

The anticipated date of filing the application is: October 15, 2012.

The contact person for this project is E. Graham Baker, Jr., Attorney who may be reached at 2021 Richard Jones Road, Suite 350, Nashville, TN 37215, 615/370-3380.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency  
Andrew Jackson Building  
500 Deaderick Street, Suite 850  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

### PURPOSE.

Tract No. 2: Beginning with an iron spike in the center of the Old Columbia Road (now abandoned), 176 feet west of a C.C. Highway marker; running

This the 5th day of October, 2012.

BRUCE N. OLDHAM  
SUBSTITUTE TRUSTEE  
(October 10, 17, 24, 2012)

Classified deadline  
is 4 p.m.  
previous day!

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## Rouce investigate 2 in journalist kidnapping

LONDON (AP) — British police are investigating Wednesday whether a British man and woman arrested on suspicion of supporting terrorism offenses in Syria were part of a group that held a veteran war journalist hostage last month.

The abduction of freelance photographer John Cantlie in August highlighted concerns that British Muslims might be slipping into Syria to join extremists. Police in Britain seeking clues in the case searched two east London properties — one day after the pair were arrested at Heathrow Airport after arriving from Egypt.

The investigation is only one line of inquiry, police said while speaking on condition of anonymity in line with force policy. Cantlie had said upon his release that one of his captors spoke with a London accent.

Most of those fighting the regime of President Bashar Assad are believed to be ordinary Syrians and soldiers who have defected, having become fed up with the authoritarian government, analysts say. But increasingly, foreign fight-

ers and those adhering to an extremist Islamist ideology are turning up on the front lines.

The rebels are trying to play down their influence for fear of alienating Western support, but as the civil war grinds on, the influence of these extremists is set to grow.

The Syrian government has always blamed the uprising on foreign terrorists, despite months of peaceful protests by ordinary citizens that only turned violent after repeated attacks by security forces. The transformation of the conflict into an open war has given an opening to the foreign fighters and extremists.

Talk about the role of foreign jihadists in the Syrian civil war began in earnest, however, with the rise in suicide bombings. U.S. National Director of Intelligence James Clapper said in February that those attacks "bore the trademarks" of the jihadists in neighboring Iraq.

Rebel commanders are quick to dismiss the role of the foreign fighters and religious extremists, describing their numbers as few and their contribution as paltry.

06

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- TEXT\_GENERAL
- TEXT\_PARCEL
- LEADERLINES
- PARCELS
- ORTHO\_S (Image)



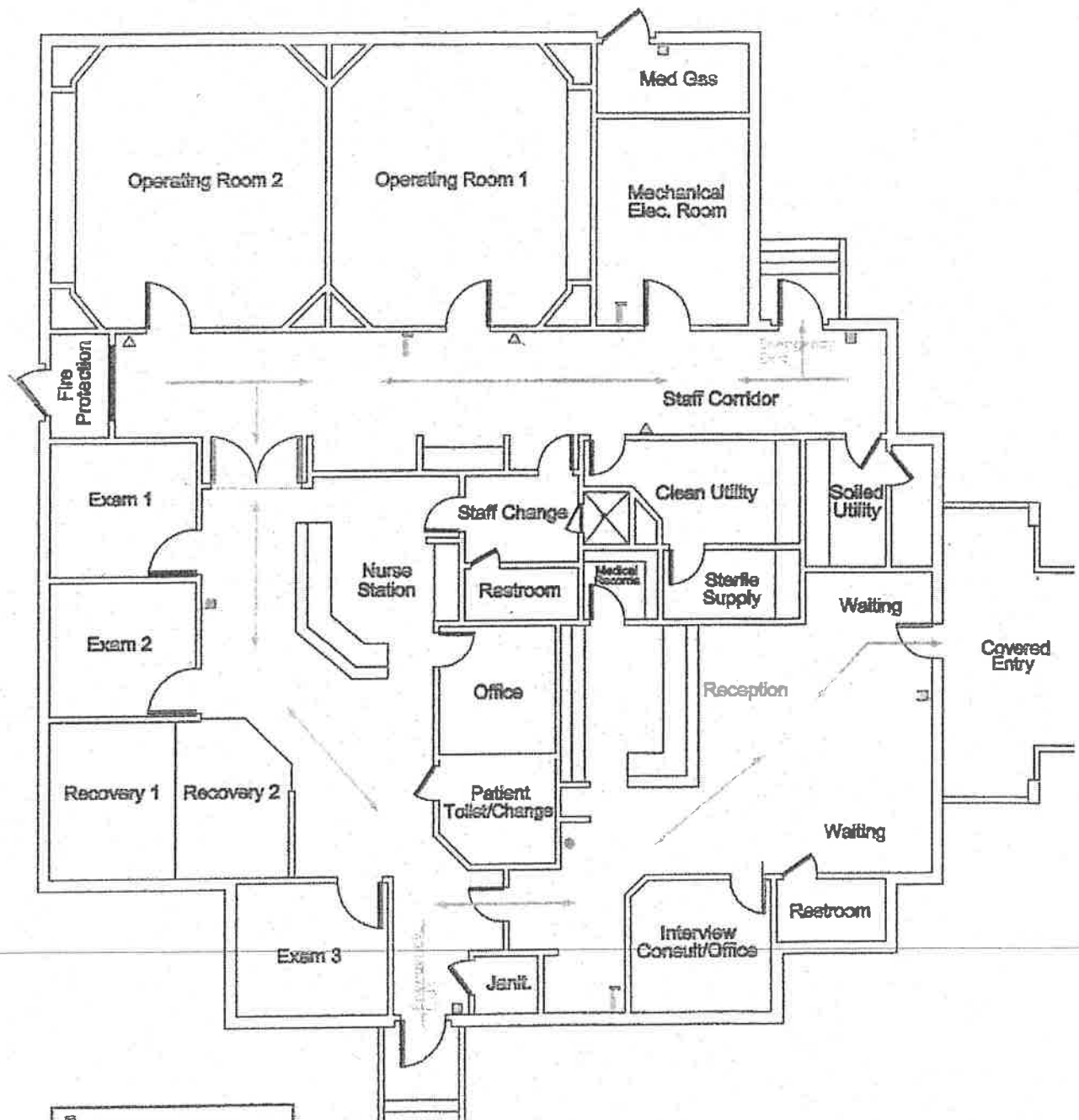
BEDFORD COUNTY, TENNESSEE



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# EVACUATION PLAN

2012 OCT 15 PM 3:07



- Fire Extinguisher
- Fire Alarm Pull
- △ Med Gas Cut-Off Valve
- Emergency Exit Route
- You Are Here

G&H Consulting  
09/12/2012

2012 OCT 15 PM 3:07





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Health Resources and Services Administration 2012 OCT 15 PM 3: 07

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## Find Shortage Areas: MUA/P by State and County

[Shortage Designation Home](#)[Find Shortage Areas](#)[HPSA & MUA/P by Address](#)[HPSA by State & County](#)[HPSA Eligible for the Medicare Physician Bonus Payment](#)

## Criteria:

State: Tennessee

County: Bedford County

ID #: All

Results: 1 records found.

Name	ID#	Type	Score	Designation Date	Update Date
Bedford County					
Bedford Service Area	03173	MUA	59.80	1976/11/01	

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## Find Shortage Areas: MUA/P by State and County

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Shortage  
Areas](#)[HPSA &  
MUA/P by  
Address](#)[HPSA by  
State &  
County](#)[HPSA  
Eligible for  
the  
Medicare  
Physician  
Bonus  
Payment](#)**Criteria:**State: Tennessee  
County: Coffee County  
ID #: All

Results: 0 records found.

Name	ID#	Type	Score	Designation Date	Update Date
Coffee County No MUAs in this county.					

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## Find Shortage Areas: MUA/P by State and County

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Eligible for  
the  
Medicare  
Physician  
Bonus  
Payment](#)

## Criteria:

State: Tennessee

County: Lincoln County

ID #: All

Results: 1 records found.

Name	ID#	Type	Score	Designation Date	Update Date
Lincoln County					
Lincoln Service Area	03209	MUA	53.40	1978/11/01	

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## Find Shortage Areas: HPSA by State &amp; County

[Shortage  
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MUA/P by  
Address](#)[HPSA  
Eligible for  
the](#)[Medicare  
Physician  
Bonus  
Payment](#)[MUA/P by  
State &  
County](#)

## Criteria:

State: Tennessee  
County: Bedford County  
ID: All

Discipline: Primary Medical Care

Metro: All

Status: Designated

Type: All

Date of Last Update: All Dates

HPSA Score (lower limit): 0

Results: 6 records found.

(Satellite sites of Comprehensive Health Centers automatically assume the HPSA score of the affiliated grantee. They are not listed separately.)

HPSA Name	ID	Type	FTE	# Short	Score
003 - Bedford County					
Low Income - Bedford	1479994770	Population Group	2	3	10
Bedford		Single County			
Wartrace Family Practice	14799947C9	Rural Health Clinic		0	0
Lynette M Adams, M.D.	14799947EB	Rural Health Clinic	0	0	1
Bedford Urgent Care	14799947EA	Rural Health Clinic	0	0	2
Unionville Family Practice	14799947EO	Rural Health Clinic	0	0	0

Data as of: 10/6/2012

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## Find Shortage Areas: HPSA by State & County

[Shortage Designation Home](#)[Find Shortage Areas](#)[HPSA & MUA/P by Address](#)[HPSA Eligible for the Medicare Physician Bonus Payment](#)[MUA/P by State & County](#)**Criteria:**

State: Tennessee

County: Coffee County

ID: All

Date of Last Update: All Dates

HPSA Score (lower limit): 0

Discipline: Primary Medical Care

Metro: All

Status: Designated

Type: All

Results: 0 records found.

(Satellite sites of Comprehensive Health Centers automatically assume the HPSA score of the affiliated grantee. They are not listed separately.)

HPSA Name	ID	Type	FTE	# Short	Score
031 - Coffee County					

No HPSAs in this county.

Data as of: 10/6/2012

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## Find Shortage Areas: HPSA by State & County

[Shortage Designation Home](#)

**Find Shortage Areas**

[HPSA & MUA/P by Address](#)

[HPSA Eligible for the Medicare Physician Bonus Payment](#)

[MUA/P by State & County](#)

### Criteria:

State: Tennessee  
County: Lincoln County  
ID: All

Discipline: Primary Medical Care

Metro: All  
Status: Designated  
Type: All

Date of Last Update: All Dates  
HPSA Score (lower limit): 0

Results: 0 records found.

(Satellite sites of Comprehensive Health Centers automatically assume the HPSA score of the affiliated grantee. They are not listed separately.)

HPSA Name	ID	Type	FTE	# Short	Score
103 - Lincoln County					
No HPSAs in this county.					

Data as of: 10/6/2012

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86 Attachment C.EF.2

**Center for ENT, Laser & Cosmetic Surgery, L.L.C.**

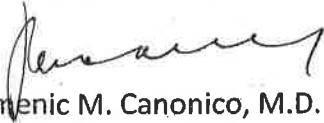
310 Colloredo Blvd., Suite B  
Shelbyville, TN 37160  
Phone (931) 684-3504 • Fax (931) 684-2962

October 5, 2012

To Whom It May Concern:

The project costs for The Center for ENT, Laser & Cosmetic Surgery, LLC to expand services to include orthopedic and podiatry surgery will be funded by the Center for ENT, Laser & Cosmetic Surgery, LLC.

Sincerely,



Domenic M. Canonico, M.D.

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ENT LASER& COSMETIC SURGERY LLC

FINANCIAL STATEMENTS

JUNE 30, 2012

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DUNCAN, WHEELER & WILKERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
COOKEVILLE, TN.

DUNCAN, WHEELER & WILKERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
228 E. BROAD ST., SUITE 200  
COOKEVILLE, TN. 38501

2012 OCT 15 PM 3:07

ACCOUNTANT'S COMPILATION REPORT

AUGUST 24, 2012

TO THE MEMBER'S OF  
ENT, LASER & COSMETIC SURGERY, LLC

WE HAVE COMPILED THE ACCOMPANYING STATEMENT OF ASSETS, LIABILITIES, AND MEMBER'S EQUITY - INCOME TAX BASIS OF ENT, LASER & COSMETIC SURGERY, LLC, AS OF JUNE 30, 2012 AND THE RELATED STATEMENT OF REVENUES AND EXPENSES - INCOME TAX BASIS FOR THE THREE MONTHS AND THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011. WE HAVE NOT AUDITED OR REVIEWED THE ACCOMPANYING FINANCIAL STATEMENTS AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR PROVIDE ANY ASSURANCE ABOUT WHETHER THE FINANCIAL STATEMENTS ARE IN ACCORDANCE WITH THE INCOME TAX BASIS OF ACCOUNTING.

MANAGEMENT IS RESPONSIBLE FOR THE PREPARATION AND FAIR PRESENTATION OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH THE INCOME TAX BASIS OF ACCOUNTING AND FOR DESIGNING, IMPLEMENTING, AND MAINTAINING INTERNAL CONTROL RELEVANT TO THE PREPARATION AND FAIR PRESENTATION OF FINANCIAL STATEMENTS.

OUR RESPONSIBILITY IS TO CONDUCT THE COMPILATION IN ACCORDANCE WITH STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES ISSUED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE OBJECTIVE OF A COMPILATION IS TO ASSIST MANAGEMENT IN PRESENTING FINANCIAL INFORMATION IN THE FORM OF FINANCIAL STATEMENTS WITHOUT UNDERTAKING TO OBTAIN OR PROVIDE ANY ASSURANCE THAT THERE ARE NO MATERIAL MODIFICATIONS THAT SHOULD BE MADE TO THE FINANCIAL STATEMENTS.

MANAGEMENT HAS ELECTED TO OMIT SUBSTANTIALLY ALL OF THE DISCLOSURES ORDINARILY INCLUDED IN FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE INCOME TAX BASIS OF ACCOUNTING. IF THE OMITTED DISCLOSURES WERE INCLUDED ~~IN THE FINANCIAL STATEMENTS~~, THEY MIGHT INFLUENCE THE USER'S CONCLUSIONS ABOUT THE COMPANY'S ASSETS, LIABILITIES, EQUITY, REVENUES AND EXPENSES. ACCORDINGLY, THE FINANCIAL STATEMENTS ARE NOT DESIGNED FOR THOSE WHO ARE NOT INFORMED ABOUT SUCH MATTERS.

WE ARE NOT INDEPENDENT WITH RESPECT TO ENT LASER  
& COSMETIC SURGERY, LLC.

*Duncan, Wheeler & Wilkerson, P.C.*



ENT LASER& COSMETIC SURGERY LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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DUNCAN, WHEELER & WILKERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
COKEVILLE, TN.

DUNCAN, WHEELER & WILKERSON, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 228 E. BROAD ST., SUITE 200  
 COOKEVILLE, TN. 38501

ACCOUNTANT'S COMPILATION REPORT

FEBRUARY 6, 2012

TO THE MEMBERS OF  
 ENT LASER& COSMETIC SURGERY LLC

WE HAVE COMPILED THE ACCOMPANYING STATEMENT OF ASSETS, LIABILITIES, AND EQUITY OF ENT LASER& COSMETIC SURGERY LLC AS OF DECEMBER 31, 2011 AND T  
 RELATED STATEMENT OF REVENUES AND EXPENSES-INCOME TAX BASIS  
 FOR THE THREE MONTHS AND THE TWELVE MONTHS ENDED DECEMBER 31, 2011  
 AND 2010. WE HAVE NOT AUDITED OR REVIEWED THE ACCOMPANYING  
 FINANCIAL STATEMENTS AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION  
 OR PROVIDE ANY ASSURANCE ABOUT WHETHER THE FINANCIAL STATEMENTS ARE IN  
 ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED  
 STATES OF AMERICA.

THE OWNER IS RESPONSIBLE FOR THE PREPARATION AND FAIR PRESENTATION  
 OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH ACCOUNTING PRINCIPLES  
 GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND FOR DESIGNING,  
 IMPLEMENTING, AND MAINTAINING INTERNAL CONTROL RELEVANT TO THE PREPARATION  
 AND FAIR PRESENTATION OF FINANCIAL STATEMENTS.

OUR RESPONSIBILITY IS TO CONDUCT THE COMPILATION IN ACCORDANCE WITH  
 STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES  
 ISSUED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS.  
 THE OBJECTIVE OF A COMPILATION IS TO ASSIST MANAGEMENT IN  
 PRESENTING FINANCIAL INFORMATION IN THE FORM OF FINANCIAL  
 STATEMENTS WITHOUT UNDERTAKING TO OBTAIN OR PROVIDE  
 ANY ASSURANCE THAT THERE ARE NO MATERIAL MODIFICATIONS THAT SHOULD  
 BE MADE TO THE FINANCIAL STATEMENTS.

MANAGEMENT HAS ELECTED TO OMIT ALL OF THE DISCLOSURES REQUIRED  
 BY ~~ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES~~  
 OF AMERICA. IF THE OMITTED DISCLOSURES WERE INCLUDED IN THE FINANCIAL  
 STATEMENTS, THEY MIGHT INFLUENCE THE USER'S CONCLUSIONS ABOUT THE  
 COMPANY'S FINANCIAL POSITION, RESULTS OF OPERATIONS, AND CASH FLOWS.  
 ACCORDINGLY, THE FINANCIAL STATEMENTS ARE NOT DESIGNED FOR THOSE WHO  
 ARE NOT INFORMED ABOUT SUCH MATTERS.

WE ARE NOT INDEPENDENT WITH RESPECT TO ENT LASER  
 & COSMETIC SURGERY, LLC.

*Duncan, Wheeler & Wilkerson, P.C.*

ENT LASER& COSMETIC SURGERY LLC  
STATEMENT OF REVENUES AND EXPENSES  
INCOME TAX BASIS  
FOR THE THREE MONTHS  
AND THE TWELVE MONTHS ENDED  
DECEMBER 31, 2011

	----CURRENT PERIOD----		-----YEAR TO DATE-----	
	AMOUNT	PCT.	AMOUNT	PCT.
NET PROFESSIONAL FEES	<u>\$88,816.26</u>	<u>100.00 %</u>	<u>\$499,420.65</u>	<u>100.00 %</u>
OPERATING EXPENSES				
PERSONNEL EXPENSE	23,254.79	26.18	114,521.70	22.93
CONTRACT LABOR	181.25	.20	181.25	.04
OTHER OUTSIDE SERVICES	10,307.09	11.60	32,484.59	6.50
MALPRACTICE INSURANCE	4,207.00	4.74	8,370.00	1.68
RENT	30,000.00	33.78	120,000.00	24.03
UTILITIES	9,110.13	10.26	26,644.96	5.34
DEPRECIATION	642.43	.72	18,149.90	3.63
REPAIRS & MAINTENANCE	4,894.26	5.51	34,492.54	6.91
MAINTENANCE CONTRACTS	1,852.29	2.09	9,718.93	1.95
BANK CHARGES	219.51	.25	506.61	.10
✓ OFFICE SUPPLIES	1,120.02	1.26	2,626.85	.53
ADVERTISING	556.34	.63	1,356.34	.27
TRAVEL EXPENSE	470.22	.53	3,302.89	.66
MEALS	60.85	.07	314.66	.06
TELEPHONE	.00	.00	371.68	.07
CONTINUING EDUCATION	58.50	.07	11,992.94	2.40
PRACTICE DEVELOPMENT	164.36	.19	2,415.83	.48
AUTO EXPENSE	225.35	.25	320.00	.06
POSTAGE	44.00	.05	62.04	.01
✓ SURGICAL/MEDICAL SUPPLIES	20,364.78	22.93	68,948.85	13.81
DUES AND SUBSCRIPTIONS	625.00	.70	2,318.50	.46
OTHER INSURANCE	.00	.00	2,761.00	.55
TAXES & LICENSES	.00	.00	1,380.00	.28
LEGAL & PROFESSIONAL	.00	.00	4,610.95	.92
ACCOUNTING FEES	<u>2,575.00</u>	<u>2.90</u>	<u>2,575.00</u>	<u>.52</u>
MISCELLANEOUS	75.00	.08	526.55	.11
REIMBURSED EXPENSES	<u>11,006.44</u>	<u>12.39</u>	<u>61,598.12</u>	<u>12.33</u>
TOTAL OPERATING EXPENSES	<u>122,014.61</u>	<u>137.38</u>	<u>532,552.68</u>	<u>106.63</u>
INCOME (LOSS) FROM OPERATIONS	(33,198.35)	(37.38)	(33,132.03)	(6.63)
OTHER INCOME & (EXPENSE)				
INCOME (LOSS) BEFORE TAXES	<u>(33,198.35)</u>	<u>(37.38)</u>	<u>(33,132.03)</u>	<u>(6.63)</u>
NET INCOME (LOSS)	<u>\$(33,198.35)</u>	<u>(37.38)%</u>	<u>\$(33,132.03)</u>	<u>(6.63)%</u>
SEE ACCOUNTANTS' COMPILATION REPORT				

ENT LASER& COSMETIC SURGERY LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2010

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DUNCAN, WHEELER & WILKERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
COOKEVILLE, TN.

DUNCAN, WHEELER & WILKERSON, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 228 E. BROAD ST., SUITE 200  
 COOKEVILLE, TN. 38501

ACCOUNTANT'S COMPILATION REPORT

MARCH 3, 2011

TO THE MEMBERS OF  
 ENT LASER& COSMETIC SURGERY LLC

WE HAVE COMPILED THE ACCOMPANYING STATEMENTS OF ASSETS, LIABILITIES, AND EQUITY-CASH BASIS OF ENT LASER& COSMETIC SURGERY LLC AS OF DECEMBER 31, 2010 AND THE RELATED STATEMENT OF REVENUE COLLECTED AND EXPENSES PAID FOR THE THREE MONTHS AND THE TWELVE MONTHS ENDED DECEMBER 31, 2010 AND 2009. WE HAVE NOT AUDITED OR REVIEWED THE ACCOMPANYING FINANCIAL STATEMENTS AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR PROVIDE ANY ASSURANCE ABOUT WHETHER THE FINANCIAL STATEMENTS ARE IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA.

THE OWNER IS RESPONSIBLE FOR THE PREPARATION AND FAIR PRESENTATION OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND FOR DESIGNING, IMPLEMENTING, AND MAINTAINING INTERNAL CONTROL RELEVANT TO THE PREPARATION AND FAIR PRESENTATION OF FINANCIAL STATEMENTS.

OUR RESPONSIBILITY IS TO CONDUCT THE COMPILATION IN ACCORDANCE WITH STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES ISSUED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE OBJECTIVE OF A COMPILATION IS TO ASSIST MANAGEMENT IN PRESENTING FINANCIAL INFORMATION IN THE FORM OF FINANCIAL STATEMENTS WITHOUT UNDERTAKING TO OBTAIN OR PROVIDE ANY ASSURANCE THAT THERE ARE NO MATERIAL MODIFICATIONS THAT SHOULD BE MADE TO THE FINANCIAL STATEMENTS.

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~~MANAGEMENT HAS ELECTED TO OMIT ALL OF THE DISCLOSURES REQUIRED BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA. IF THE OMITTED DISCLOSURES WERE INCLUDED IN THE FINANCIAL STATEMENTS, THEY MIGHT INFLUENCE THE USER'S CONCLUSIONS ABOUT THE COMPANY'S FINANCIAL POSITION, RESULTS OF OPERATIONS, AND CASH FLOWS. ACCORDINGLY, THE FINANCIAL STATEMENTS ARE NOT DESIGNED FOR THOSE WHO ARE NOT INFORMED ABOUT SUCH MATTERS.~~

WE ARE NOT INDEPENDENT WITH RESPECT TO ENT LASER & COSMETIC SURGERY, LLC.

*Duncan, Wheeler & Wilkerson P.C.*

94  
ENT LASER& COSMETIC SURGERY LLC  
STATEMENT OF REVENUE COLLECTED  
AND EXPENSES PAID  
FOR THE THREE MONTHS  
AND THE TWELVE MONTHS ENDED  
DECEMBER 31, 2010

	-----CURRENT PERIOD-----		-----YEAR TO DATE-----	
	AMOUNT	PCT.	AMOUNT	PCT.
NET PROFESSIONAL FEES	<u>\$153,034.19</u>	<u>100.00 %</u>	<u>\$675,986.83</u>	<u>100.00 %</u>
OPERATING EXPENSES				
PERSONNEL EXPENSE	33,911.70	22.16	123,692.50	18.30
CONTRACT LABOR	.00	.00	1,176.50	.17
OTHER OUTSIDE SERVICES	8,369.88	5.47	22,738.73	3.36
MALPRACTICE INSURANCE	.00	.00	4,662.00	.69
RENT	30,000.00	19.60	120,000.00	17.75
UTILITIES	9,528.68	6.23	28,753.53	4.25
DEPRECIATION	57.50	.04	414.49	.06
SECTION 179 EXPENSE	2,911.95	1.90	35,049.95	5.19
REPAIRS & MAINTENANCE	1,833.97	1.20	13,693.58	2.03
MAINTENANCE CONTRACTS	1,801.20	1.18	7,645.44	1.13
BANK CHARGES	83.90	.05	636.24	.09
OFFICE SUPPLIES	1,583.63	1.03	3,882.42	.57
ADVERTISING	500.00	.33	1,175.00	.17
TRAVEL EXPENSE	1,732.73	1.13	1,808.37	.27
MEALS	98.38	.06	210.01	.03
CONTINUING EDUCATION	3,315.10	2.17	3,465.10	.51
PRACTICE DEVELOPMENT	.00	.00	650.00	.10
AUTO EXPENSE	170.20	.11	170.20	.03
POSTAGE	.00	.00	15.09	.00
SURGICAL/MEDICAL SUPPLIES	18,102.04	11.83	61,091.94	9.04
DUES AND SUBSCRIPTIONS	166.67	.11	1,184.39	.18
TAXES & LICENSES	334.00	.22	4,222.25	.62
LEGAL & PROFESSIONAL	.00	.00	2,649.05	.39
ACCOUNTING FEES	2,575.00	1.68	4,593.05	.68
MISCELLANEOUS	1,679.53	1.10	2,671.91	.40
REIMBURSED EXPENSES	<u>28,358.00</u>	<u>18.53</u>	<u>173,304.40</u>	<u>25.64</u>
TOTAL OPERATING EXPENSES	<u>147,114.06</u>	<u>96.13</u>	<u>619,556.14</u>	<u>91.65</u>
INCOME (LOSS) FROM OPERATIONS	5,920.13	3.87	56,430.69	8.35
OTHER INCOME & (EXPENSE)				
INCOME (LOSS) BEFORE TAXES	<u>5,920.13</u>	<u>3.87</u>	<u>56,430.69</u>	<u>8.35</u>
NET INCOME (LOSS)	<u>\$5,920.13</u>	<u>3.87 %</u>	<u>\$56,430.69</u>	<u>8.35 %</u>

SEE ACCOUNTANTS' COMPILATION REPORT

ENT LASER& COSMETIC SURGERY LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2009

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DUNCAN, WHEELER & WILKERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
COOKEVILLE, TN.

DUNCAN, WHEELER & WILKERSON, P.C. 2012 OCT 15 PM 3:07  
CERTIFIED PUBLIC ACCOUNTANTS  
228 E. BROAD ST., SUITE 200  
COOKEVILLE, TN. 38501

JANUARY 24, 2010

TO THE MEMBERS OF  
ENT LASER& COSMETIC SURGERY LLC

WE HAVE COMPILED THE ACCOMPANYING STATEMENTS OF ASSETS, LIABILITIES, AND EQUITY-CASH BASIS OF ENT LASER& COSMETIC SURGERY LLC AS OF DECEMBER 31, 2009 AND THE RELATED STATEMENT OF REVENUE COLLECTED AND EXPENSES PAID FOR THE THREE MONTHS AND THE TWELVE MONTHS ENDED DECEMBER 31, 2009 AND 2008 IN ACCORDANCE WITH STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES ISSUED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THIS FINANCIAL STATEMENT HAS BEEN PREPARED ON THE CASH BASIS OF ACCOUNTING, WHICH IS A COMPREHENSIVE BASIS OF ACCOUNTING OTHER THAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

A COMPILATION IS LIMITED TO PRESENTING IN THE FORM OF FINANCIAL STATEMENTS INFORMATION THAT IS THE REPRESENTATION OF MANAGEMENT. WE HAVE NOT AUDITED OR REVIEWED THE ACCOMPANYING FINANCIAL STATEMENTS AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE ON THEM.

MANAGEMENT HAS ELECTED TO OMIT SUBSTANTIALLY ALL OF THE DISCLOSURES ORDINARILY INCLUDED IN FINANCIAL STATEMENTS PREPARED ON THE CASH BASIS OF ACCOUNTING. IF THE OMITTED DISCLOSURES WERE INCLUDED IN THE FINANCIAL STATEMENTS, THEY MIGHT INFLUENCE THE USER'S CONCLUSION ABOUT THE COMPANY'S FINANCIAL POSITION. ACCORDINGLY, THESE FINANCIAL STATEMENTS ARE NOT DESIGNED FOR THOSE WHO ARE NOT INFORMED ABOUT SUCH MATTERS.

---

WE ARE NOT INDEPENDENT WITH RESPECT TO ENT LASER  
& COSMETIC SURGERY, LLC.

*Duncan, Wheeler & Wilkerson P.C.*



ENT LASER& COSMETIC SURGERY LLC  
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
DECEMBER 31, 2009

\*\*\*\*\* A S S E T S \*\*\*\*\*

CURRENT ASSETS	
CASH	\$86,902.80
ACCOUNTS RECEIVABLE	<u>6,176.34</u>
TOTAL CURRENT ASSETS	<u>93,079.14</u>
PROPERTY, PLANT & EQUIPMENT	
EQUIPMENT	89,301.39
LEASEHOLD IMPROVEMENTS	13,642.30
OTHER DEPRECIABLE ASSETS	<u>3,000.00</u>
	105,943.69
LESS: ACCUMULATED DEPRECIATION	(101,054.52)
	<u>4,889.17</u>
	\$97,968.31
	=====

\*\*\*\* L I A B I L I T I E S    A N D    E Q U I T Y \*\*\*\*

CURRENT LIABILITIES	
PAYABLE ENT	\$1,121.48
PAYABLE CITI MASTERCARD	<u>9,459.36</u>
TOTAL CURRENT LIABILITIES	<u>10,580.84</u>
LONG-TERM DEBT LESS CURR. PORTION	
TOTAL LIABILITIES	<u>10,580.84</u>
EQUITY	
CAPITAL CONTRIBUTION-CANONICO	56,994.99
CURRENT YEAR NET INCOME (LOSS)	<u>30,392.48</u>
TOTAL EQUITY	<u>87,387.47</u>
	\$97,968.31
	=====

SEE ACCOUNTANTS' COMPILATION REPORT

98  
ENT LASER& COSMETIC SURGERY LLC  
STATEMENT OF REVENUE COLLECTED  
AND EXPENSES PAID  
FOR THE THREE MONTHS  
AND THE TWELVE MONTHS ENDED  
DECEMBER 31, 2009

	-----CURRENT PERIOD-----		-----YEAR TO DATE-----	
	AMOUNT	PCT.	AMOUNT	PCT.
NET PROFESSIONAL FEES	\$142,705.34	100.00 %	\$663,542.05	100.00 %
OPERATING EXPENSES				
PERSONNEL EXPENSE	43,543.27	30.51	122,738.10	18.50
CONTRACT LABOR	464.70	.33	3,392.93	.51
OTHER OUTSIDE SERVICES	11,532.65	8.08	31,634.00	4.77
RENT	30,000.00	21.02	120,000.00	18.08
UTILITIES	7,629.42	5.35	29,162.99	4.40
DEPRECIATION	(3,897.20)	(2.73)	4,227.14	.64
SECTION 179 EXPENSE	6,058.11	4.25	6,058.11	.91
REPAIRS & MAINTENANCE	12,741.96	8.93	23,395.04	3.53
MAINTENANCE CONTRACTS	2,304.07	1.61	9,420.09	1.42
BANK CHARGES	142.50	.10	543.62	.08
OFFICE SUPPLIES	736.41	.52	2,794.89	.42
ADVERTISING	.00	.00	772.00	.12
TRAVEL EXPENSE	820.56	.58	1,814.40	.27
MEALS	546.11	.38	596.11	.09
CONTINUING EDUCATION	277.45	.19	5,110.45	.77
PRACTICE DEVELOPMENT	92.74	.06	666.33	.10
POSTAGE	70.57	.05	111.69	.02
SURGICAL/MEDICAL SUPPLIES	25,166.81	17.64	72,923.47	10.99
DUES AND SUBSCRIPTIONS	.00	.00	551.72	.08
OTHER INSURANCE	2,839.00	1.99	11,206.00	1.69
TAXES & LICENSES	227.00	.16	3,029.25	.46
LEGAL & PROFESSIONAL	4,025.00	2.82	15,855.00	2.39
ACCOUNTING FEES	.00	.00	650.00	.10
MISCELLANEOUS	.00	.00	49.36	.01
REIMBURSED EXPENSES	35,059.20	24.57	166,446.88	25.08
TOTAL OPERATING EXPENSES	180,380.33	126.40	633,149.57	95.42
INCOME (LOSS) FROM OPERATIONS	(37,674.99)	(26.40)	30,392.48	4.58
OTHER INCOME & (EXPENSE)				
INCOME (LOSS) BEFORE TAXES	(37,674.99)	(26.40)	30,392.48	4.58
NET INCOME (LOSS)	\$(37,674.99)	(26.40) %	\$30,392.48	4.58 %
	=====	=====	=====	=====

SEE ACCOUNTANTS' COMPILATION REPORT

ENT LASER& COSMETIC SURGERY LLC  
 STATEMENT OF REVENUES AND EXPENSES  
 INCOME TAX BASIS  
 FOR THE THREE MONTHS  
 AND THE SIX MONTHS ENDED  
 JUNE 30, 2012

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	-----CURRENT PERIOD-----		-----YEAR TO DATE-----	
	AMOUNT	PCT.	AMOUNT	PCT.
NET PROFESSIONAL FEES	<u>\$134,024.06</u>	<u>100.00 %</u>	<u>\$281,309.66</u>	<u>100.00 %</u>
OPERATING EXPENSES				
PERSONNEL EXPENSE	40,182.99	29.98	69,623.76	24.75
OTHER OUTSIDE SERVICES	16,469.42	12.29	25,169.78	8.95
RENT	30,000.00	22.38	60,000.00	21.33
UTILITIES	6,275.26	4.68	8,669.29	3.08
DEPRECIATION	158.10	.12	2,545.29	.90
REPAIRS & MAINTENANCE	7,124.21	5.32	13,316.70	4.73
MAINTENANCE CONTRACTS	927.75	.69	6,051.27	2.15
BANK CHARGES	124.72	.09	234.82	.08
OFFICE SUPPLIES	1,531.16	1.14	1,891.92	.67
ADVERTISING	.00	.00	550.00	.20
TRAVEL EXPENSE	292.84	.22	292.84	.10
MEALS	304.72	.23	490.01	.17
TELEPHONE	.00	.00	131.69	.05
CONTINUING EDUCATION	1,082.40	.81	1,584.25	.56
PRACTICE DEVELOPMENT	845.10	.63	909.75	.32
SURGICAL/MEDICAL SUPPLIES	23,201.10	17.31	37,013.76	13.16
DUES AND SUBSCRIPTIONS	981.00	.73	1,131.00	.40
OTHER INSURANCE	.00	.00	2,555.00	.91
TAXES & LICENSES	2,400.00	1.79	9,094.98	3.23
ACCOUNTING FEES	1,250.00	.93	1,250.00	.44
MISCELLANEOUS	.00	.00	200.01	.07
REIMBURSED EXPENSES	<u>24,302.28</u>	<u>18.13</u>	<u>37,603.32</u>	<u>13.37</u>
TOTAL OPERATING EXPENSES	<u>157,453.05</u>	<u>117.48</u>	<u>280,309.44</u>	<u>99.64</u>
INCOME (LOSS) FROM OPERATIONS	(23,428.99)	(17.48)	1,000.22	.36
OTHER INCOME & (EXPENSE)				
INCOME (LOSS) BEFORE TAXES	<u>(23,428.99)</u>	<u>(17.48)</u>	<u>1,000.22</u>	<u>.36</u>
NET INCOME (LOSS)	<u>\$(23,428.99)</u>	<u>(17.48)%</u>	<u>\$1,000.22</u>	<u>.36 %</u>

SEE ACCOUNTANTS' COMPILATION REPORT

ENT LASER& COSMETIC SURGERY LLC  
STATEMENT OF ASSETS, LIABILITIES, AND MEMBER'S EQUITY-INCOME TAX BASIS  
JUNE 30, 2012

\*\*\*\*\* A S S E T S \*\*\*\*\*

CURRENT ASSETS	
CASH	\$53,112.75
ACCOUNTS RECEIVABLE	<u>15,348.21</u>
TOTAL CURRENT ASSETS	<u>68,460.96</u>
PROPERTY, PLANT & EQUIPMENT	
EQUIPMENT	87,756.78
LEASEHOLD IMPROVEMENTS	13,642.30
OTHER DEPRECIABLE ASSETS	<u>3,000.00</u>
	104,399.08
LESS: ACCUMULATED DEPRECIATION	<u>(100,620.69)</u>
	<u>3,778.39</u>
	<u>\$72,239.35</u>
	=====

\*\*\*\* L I A B I L I T I E S   A N D   M E M B E R ' S   E Q U I T Y \*

CURRENT LIABILITIES	
PAYABLE ENT	\$181.25
PAYABLE TO CFP	<u>2,250.00</u>
TOTAL CURRENT LIABILITIES	<u>2,431.25</u>
LONG-TERM DEBT LESS CURR. PORTION	
TOTAL LIABILITIES	<u>2,431.25</u>
MEMBER'S EQUITY	
CAPITAL CONTRIBUTION-CANONICO	68,807.88
CURRENT YEAR NET INCOME (LOSS)	<u>1,000.22</u>
TOTAL EQUITY	<u>69,808.10</u>
	<u>\$72,239.35</u>
	=====

SEE ACCOUNTANTS' COMPILATION REPORT



STATE OF TENNESSEE  
DEPARTMENT OF HEALTH  
DIVISION OF HEALTH CARE FACILITIES  
WEST TENNESSEE REGIONAL OFFICE

2975 Highway 45 Bypass, Suite C  
Jackson, Tennessee 38305  
Telephone: (731) 984-9684  
Fax: (731) 512-0063

March 26, 2012

Ms. Linda Anderton, Administrator  
The Center for ENT, Laser & Cosmetic Surgery LLC  
310 Coloredo Boulevard, Suite B  
Shelbyville, TN 37160

RE: Recertification Survey  
CCN 440001127

Dear Ms. Anderton:

The West Tennessee Regional Office of Health Care Facilities conducted a recertification survey at your facility March 21, 2012. We are pleased to inform you that no deficiencies were cited on the survey. A copy of the results is enclosed for your records.

Thank you for your cooperation shown during the survey. If we may be of assistance to you, please do not hesitate to call.

Sincerely,

Diane Carter, RN, LNCC  
Public Health Nurse Consultant II

PDC/m

Enclosure

PRINTED: 03/28/2012  
FORM APPROVED  
OMB NO. 0938-0391

NAME OF PROVIDER OR SUPPLIER  CENTER FOR ENT LASER & COSMETIC SURGERY	STREET ADDRESS, CITY, STATE, ZIP CODE 310 COLLOREDO BLVD, SUITE B SHELBYVILLE, TN 37160
---	---

Q9999	FINAL OBSERVATIONS	Q9999		
	<p>This facility complies with all requirements for participation reviewed for Ambulatory Surgery Centers during the recertification survey conducted on 3/21/12. No deficiencies were cited.</p>			

(X.O) DATE

If continuation sheet Page 1 of 1

2012 OCT 15 PM 3:07



ACCREDITATION ASSOCIATION  
for AMBULATORY HEALTH CARE, INC.

February 23, 2010

Organization #: 87021 Accreditation Expires: December 2, 2012  
 Organization: The Center for ENT, Laser & Cosmetic Surgery, LLC  
 Address: 310 Colorado Boulevard, Suite B  
 City, State, Zip: Shelbyville, TN 37168  
 Decision Recipient: Domenic M. Capenico, MD Survey Chair: Texas Gustafson, RN, BSN  
 Survey Contact: Linda Anderson, RN  
 Survey Dates: December 2, 2009

It is a pleasure to inform you that the Accreditation Association for Ambulatory Health Care, Inc. (AAAHC) Accreditation Committee has awarded The Center for ENT, Laser & Cosmetic Surgery, LLC, a three-year term of accreditation.

Granting accreditation reflects confidence, based on evidence from this recent survey that you meet, and will continue to demonstrate throughout the accreditation term, the attributes of an accreditable organization as reflected in the standards found in the *Accreditation Handbook for Ambulatory Health Care*. The dedication and effort necessary for an organization to be accredited is substantial and the compliance with those standards implies a commitment to continual self-evaluation and continuous improvement.

Members of your organization should take time to review the enclosed Survey Report.

- Any standard marked "PC" (Partially Compliant) or "NC" (Non-Compliant) must be corrected promptly. Subsequent surveys by the AAAHC will seek evidence that deficiencies from this survey were addressed without delay.
- The Summary Table provides an overview of compliance for each chapter applicable to the organization. Emphasis for attention should be given to chapters marked "PC" (Partially Compliant) or "NC" (Non-Compliant).
- As a guide to the ongoing process of self-evaluation, periodically review the Survey Report to ensure the organization's ongoing compliance with the standards throughout the term of accreditation.
- Statements in the "Consultative Comments" sections of the report represent the educational component of the survey. Such comments may provide suggested approaches for correcting identified deficiencies.

AAAHC policies and procedures and standards are revised on an annual basis, such revisions become effective March 1 each year. Accredited organizations are required to maintain their operations in compliance with the current AAAHC standards and policies. Therefore, the organization is encouraged to visit the AAAHC website, [www.aaahc.org](http://www.aaahc.org), for information pertaining to any revisions to AAAHC policies and procedures and standards.

We hope the survey has been beneficial to your organization in identifying its strengths and opportunities to improve. AAAHC trusts that you will continue to find the accreditation experience meaningful, not only from the benefit of having carefully reviewed your own operation, but also from the recognition brought forth by your participation in this survey process.

If you have any questions or comments about any portion of the accreditation process, please contact the AAAHC Accreditation Services department at (847) 853-6060.

2012 OCT 15 PM 3:07



ACCREDITATION ASSOCIATION  
for AMBULATORY HEALTH CARE, INC.

February 23, 2010

Organization #: 87021 Accreditation Expires: December 2, 2012

Organization: The Center for ENT, Laser & Cosmetic Surgery, LLC  
Address: 310 Colorado Boulevard, Suite B  
City, State, Zip: Shelbyville, TN 37168

Decision Recipient: Dominic M. Caponico, MD Survey Chair: Texas Gustafson, RN, BSN  
Survey Contact: Linda Anderson, RN

Survey Dates: December 2, 2009

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If you have any questions or comments about any portion of the accreditation process, please contact the AAAHC Accreditation Services department at (847) 853-6060.



# **Copy**

## **Supplemental #1**

**The Center for ENT, Laser, &  
Cosmetic Surgery**

**CN1210-054**

AFFIDAVIT

2012 NOV 27 PM 3 15

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: The Center for ENT, Laser, &amp; Cosmetic Surgery (CN1210-054)

I, E. Graham Baker, Jr., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge, information and belief.

E. Graham Baker, Jr. Attorney at Law  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this 27<sup>th</sup> day of November, 2012; witness my hand at office in the County of Davidson, State of Tennessee.

Nadean E. Poteet  
NOTARY PUBLIC

My Commission expires May 6, 2013

1. **Section A, Item 13**

**Are there other TennCare MCOs available in the service area other than the ones mentioned by the applicant?**

**Response:** According to the TennCare website, AmeriChoice, AmeriGroup and TennCare Select operate in this section of Tennessee. We have contracts with AmeriGroup and TennCare Select. AmeriChoice is actually now called Community Plan. It is administered by UHC so it is referred to as UHC Community Plan, with which we also have a contract.

**2. Section B, Item II. (Project Description)**

**What is the square footage of each of the operating rooms? Will these rooms be large enough to accommodate the equipment needed to perform orthopedic surgeries? Will all types of orthopedic surgery be performed or will it be limited to certain types of orthopedic surgery.**

**Response:** The two existing operating rooms (403 GSF each) are large enough to accommodate the equipment needed to perform orthopedic surgeries. The largest single piece of equipment is the C-Arm. All types of orthopedic surgery will be performed, so long as such surgery can be performed in an outpatient setting.

**According to the applicant facility's Joint Annual Report (JAR) the ASTC has essentially only performed ENT procedures for at least the past four years. Why has the applicant facility not performed laser, cosmetic, or ophthalmologic surgery in the last several years?**

**Response:** Ophthalmologic surgery was performed at our center a few years ago. At that time, we found the revenue margin to be low due to relatively low utilization and our having to lease mobile ophthalmology equipment at that time. That particular ophthalmologist left the county. Currently, the only ophthalmologist in Bedford County has a main office in Tullahoma and we believe he utilizes an ASTC there. He has been approached about doing procedures at our facility and apparently has no interest. The local optometrists are referring to an ophthalmologist who is doing cases at a Smyrna hospital.

The only plastic surgeon in Bedford County in the past few years is leaving the area. One (general/cosmetic) surgeon was on our staff, but he could not perform general surgery at our center. He evidently decided to perform all of his surgeries elsewhere until he left the area in 2011.

The current JAR for July 1, 2011 – June 30, 2012 will reflect cosmetic surgery cases that have been performed during that reporting period.

**Since the applicant facility has not been providing these types of surgery, what is the rationale to add orthopedic and podiatric surgery?**

**Response:** Since the establishment of this ASTC, many surgeons in the area have requested to perform procedures in an outpatient setting. Several reasons were given, including but not limited to, physician preference (ease of scheduling and providing the service), patient preference (not having to go to the hospital, thereby avoiding scheduling problems and higher costs/co-pays), and insurance provider preference (lower costs than procedures performed in a hospital setting). On one occasion, the Applicant applied for and was granted a CON to remove its limitations, and become a multi-specialty. As would be expected, the local hospital opposed that application, and petitioned for a contested case on the matter. Ultimately, the Applicant decided to voluntarily surrender the approved CON. At the same time, the hospital agreed to allow the Applicant to add the 2<sup>nd</sup> OR and add ophthalmology, since the emphasis on removing the limitations was to allow a local ophthalmologist to perform outpatient surgeries at our ASTC.

Over time, the hospital “moved” to a new location and attempted to improve the scheduling of surgeries at the hospital. Over that same time, it became apparent that local surgeons and their patients were still having similar if not the same problems as just mentioned above. Two local surgeons – one an orthopedic surgeon and the other a podiatrist – have very active practices and have repeatedly asked the Applicant to allow their respective surgeries to be performed at our ASTC. Obviously, such requires approval of a Certificate of Need. The instant application is that request.

Several surgeons who wanted to perform surgeries at our ASTC have left the area and no longer practice in Shelbyville. For example, Dr. Harris, a general/cosmetic surgeon, was on staff briefly from Oct – Dec 2011 but then moved to Seattle due to lack of cosmetic cases and the fact he could not supplement his income with general surgery cases at our center.

**What are the applicant’s recruitment plans to bring orthopedists and podiatrists onto the ASTC’s medical staff? Does the applicant intend to recruit plastic surgeons and/or ophthalmologists to utilize the ASTC? Please complete the following chart:**

**Current and Proposed Applicant ASTC Medical Staff**

Physician Name	Specialty	Current Staff (Yes or No)	Proposed Staff (Yes or No)	Admitting Privileges at Local Hospital (Yes or No)
Domenic Canonico, MD	ENT	Yes	Yes	Yes
Wayne Mosley, MD	Orthopedics	No	Yes	Yes
Russell Oliver, MD	Podiatry	No	Yes	Yes

**Response:** The chart above has been completed. Dr. Canonico is the only surgeon on staff at present. There are no immediate plans to actively recruit more surgeons to the active staff of the Applicant’s ASTC, other than the two mentioned surgeons. As more surgeons locate to the area, such surgeons will be allowed to apply for staff privileges with the Applicant, provided the Applicant has been approved to allow such procedures to be performed and other expected preliminary review and approval by the medical community.

**According to the applicant’s 2011 JAR there were 374 patients that had 1,789 ENT Procedures. That works out to 4.78 procedures per patient. Please explain why there are this many procedures per patient.**

**Response:** Ninety percent of the procedures that are performed in ENT are bilateral procedures and there are numerous CPT codes involving the paranasal sinuses. Therefore, one patient might, and usually will, have several procedures performed during one encounter.

**3. Section C, Need Item 1 (Specific Criteria –ASTC) 1.d.**

**Please provide this information in terms of cases/encounters.**

**Response:** Please see following charts by cases/encounters for pages 1 & 2 of Specific Criteria:

**The Center for ENT, Laser & Cosmetic Surgery, LLC**

County/Facility	ORs	# Pts	\$ Avg Gross	\$ Avg Deduct	\$ Avg Net
<b>Bedford</b>					
Center for ENT, Laser, Cosmetic	2	374	4,463	3,128	1,135

**Patient Charge Data/Utilization, ASTCs  
Service Area, 2011**

County/Facility	ORs	# Pts	Avg Pts/OR	\$ Avg Gross	\$ Avg Deduct	\$ Avg Net
<b>Bedford</b>						
Center for ENT, Laser, Cosmetic	2	374	187	4,463	3,128	1,335
<b>Coffee</b>						
Center for Day Surgery	1	1,193	1,193	2,847	1,990	857
Crown Surgery Center	4	274	69	2,703	1,802	901
Tulahoma Surgery Center	3	5,079	1,693	1,764	1,079	685
Community Cancer Center*	N/A	N/A	N/A	N/A	N/A	N/A

*Source: Applicant reflects Calendar Year Data, Joint Annual Reports for ASTCs, 2011  
(no ASTCs in Lincoln County)*

*\* Not Applicable, as this facility is a radiation oncology center*

*Note: The above charts are based on the total number of patients seen, not the number of procedures*

**4. Section C, Need Item 1 (Specific Criteria –ASTC) 3.**

**Please provide the following information:**

**Approximate distance and travel time to Applicant Facility**

<b>Hospital</b>	<b>Travel Time</b>	<b>Distance (Miles)</b>
Heritage Medical Center	11 mins	5.5
Harton Regional Medical Center	25 mins	16.5
United Regional Medical Center	45 mins	29.4
Medical Center of Manchester	45 mins	33.8
Lincoln Medical Center	38 mins	27.2

**Response:** The chart above is completed. It is noteworthy that Heritage Medical Center built a new facility equidistance from Shelbyville (where the “old” hospital was located) and the Rutherford County line. In effect, the “new” hospital is closer to Murfreesboro than many Bedford County residents.

**5. Section C, Need Item 1 (Specific Criteria –ASTC) 4**

**Please provide this information in terms of cases/encounters.**

**Response:** Please see following chart by cases/encounters for page 5 of Specific Criteria:

**Patient Charge Data/Utilization, ASTCs  
Service Area, 2011**

County/Facility	ORs	# Pts	Avg Pts/OR	\$ Avg Gross	\$ Avg Deduct	\$ Avg Net
<b>Bedford</b>						
Center for ENT, Laser, Cosmetic	2	374	187	4,463	3,128	1,335
<b>Coffee</b>						
Center for Day Surgery	1	1,193	1,193	2,847	1,990	857
Crown Surgery Center	4	274	69	2,703	1,802	901
Tullahoma Surgery Center	3	5,079	1,693	1,764	1,079	685
Community Cancer Center*	N/A	N/A	N/A	N/A	N/A	N/A

*Source: Applicant reflects Calendar Year Data, Joint Annual Reports for ASTCs, 2011  
(no ASTCs in Lincoln County)*

*\* Not Applicable, as this facility is a radiation oncology center*

*Note: The above chart is based on the total number of patients seen, not the number of procedures*



**6. Section C, Need Item 1 (Specific Criteria –ASTC) 5**

**Please provide this information in terms of cases/encounters.**

**Response:** Please see following chart by cases/encounters for page 6 of Specific Criteria:

**Utilization Data, Hospital Outpatient Surgery  
Service Area, 2011**

County/Facility	ORs	Ded OP ORs	# Pts	Avg Pts/OR	# Encounters (4)
<b>Bedford</b>					
Heritage Medical Center	3	1	2,349	783	2,349
<b>Coffee</b>					
Harton Regional Medical Center (1)	7	2	5,816	831	5,816
Medical Center of Manchester (2)	2	2	492	246	492
United Regional Medical Center (3)	2	3	533	267	533
<b>Lincoln</b>					
Lincoln Medical Center	2	0	770	385	770

*Source: Joint Annual Reports for Hospitals, 2011 Provisional, Outpatient Only, for Patients*

*NOTES: (1) Harton Regional Medical Center reported (on JARs) 7 inpatient plus 2 dedicated outpatient surgery suites. Contact indicated that it has a total of 9 operating rooms, with 2 being dedicated to outpatient surgery.*

*(2) Medical Center of Manchester reported (on JARs) 2 total ORs, with both being dedicated to Outpatient Surgery, yet performed surgery on inpatients. Contact indicated a total of 2 ORs, and both inpatient and outpatient surgeries are scheduled in both ORs.*

*(3) United Regional Medical Center reported (on JARs) 2 inpatient plus 3 outpatient ORs on JARs, yet when contacted stated they had a total of 2 ORs – one sterile OR plus one clean procedure room.*

*(4) The Applicant understands that the number of patients is equal to the number of encounters, and above figures are so reported.*

7. **Section C, Need Item 1 (Specific Criteria –ASTC) 7**

**Please provide this information in terms of cases/encounters.**

**Response:** The Applicant conservatively projects seeing 602 and 646 patients during the next two years of operation. Based on those projections, the quarterly projections would be as follows:

1 <sup>st</sup>	144	5 <sup>th</sup>	160
2 <sup>nd</sup>	146	6 <sup>th</sup>	161
3 <sup>rd</sup>	152	7 <sup>th</sup>	162
4 <sup>th</sup>	160	8 <sup>th</sup>	163

**8. Section C, Need Item 4.A.**

**Please revise your projected population totals to reflect Year 2016.**

**TennCare enrollee information for the service area counties was not included.  
Please provide this information.**

**Response:** Please see charts below:

**Population Estimates/TennCare Enrollees  
for Primary Service Area and State of Tennessee**

State/County	2014 Pop.	2016 Pop.	2014–2016 Change	TennCare Enrollees
Bedford	49,718	51,282	3.2%	10,562
Coffee	55,790	56,774	1.8%	11,065
Lincoln	34,548	34,940	1.1%	6,607
Service Area	140,056	142,996	2.1%	23,234
Tennessee	6,470,546	6,575,165	1.6%	1,206,538

*Source: Population Estimates and Projections, Tennessee Counties and the State, 2010-2020, Office of Health Statistics, Bureau of Health Informatics, Tennessee Department of Health; TennCare Enrollees as of March 15, 2012 (latest data)*

**Population 65+ for Primary Service Area and State of Tennessee**

State/County	2014 Pop. 65+	2016 Pop. 65+	2014 Pop. % 65+	2016 Pop. % 65+	2014-2016 Change
Bedford	5,970	6,273	12.0%	12.2%	5.1%
Coffee	9,283	9,708	16.6%	17.1%	4.6%
Lincoln	5,994	6,266	17.3%	17.9%	4.5%
Service Area	21,247	22,247	15.2%	15.6%	4.7%
Tennessee	931,676	987,074	14.4%	15.0%	5.9%

*Source: Population Estimates and Projections, Tennessee Counties and the State, 2010-2020, Office of Health Statistics, Bureau of Health Informatics, Tennessee Department of Health.*

**9. Section C, Need Item 4.B.**

**Please discuss the proposed project's impact on TennCare enrollees and the Hispanic population and any other particular groups that may benefit from the proposed project.**

**Response:** We have quite a number of patients that come from surrounding counties due to limited number of ENT physicians in the area that take TennCare patients. Further, we also have a very large Hispanic population in the area, so two of our ENT clinic staff members are available to translate when there is a need. We have maintained interpreters at our clinic for years.

Our clinic is located very close to the site of the "old" hospital in downtown Shelbyville. This is in an area with low income housing, and many of our patients simply do not have the economic resources to travel to the current hospital for care. The current hospital relocated a few years ago, and its site is equidistant from Shelbyville and the Rutherford County line. In effect, the "new" hospital is closer to Murfreesboro than many Bedford County residents. As a result, the hospital is not as accessible to most of our patients, and to most low-income patients, in Bedford County. We take care of these low-income patients.

**10. Section C, Need Item 5**

**Please complete the following tables:**

Facility/Specialty	ENT	Laser	Cosmetic	Ophthalmology	Orthopedic	Podiatry	Other	Facility Total
<b>Ctr. for ENT, Laser, Cosmetic</b>								
2009 Patients	383	0	0	0	0	0	0	383
2010 Patients	400	0	0	0	0	0	0	400
2011 Patients	374	0	0	0	0	0	0	374
'09-'11 % Change	-2.3%	0%	0%	0%	0%	0%	0%	-2.3%
% Facility Total (2011)	37.7%	0%	0%	0%	0%	0%	0%	5.4%
% of GfG* (2011)								23.4%
<b>Ctr. for Day Surgery</b>								
2009 Patients	581	0	124	438	0	0	0	1,143
2010 Patients	650	0	100	419	0	0	2	1,081
2011 Patients	619	0	96	478	0	0	0	1,193
'09-'11 % Change	6.5%	0%	-22.6%	9.1%	0%	0%	0%	4.4%
% Facility Total (2011)	62.3%	0%	100%	26.8%	0%	0%	0%	17.2%
% of GfG* (2011)								149.1%
<b>Crown Surgery Ctr.</b>								
2009 Patients	0	0	0	0	0	0	577	577
2010 Patients	0	0	0	0	0	0	350	350
2011 Patients	0	0	0	0	0	0	274	274
'09-'11 % Change	0%	0%	0%	0%	0%	0%	-52.5%	-52.5%
% Facility Total (2011)	0%	0%	0%	0%	0%	0%	7.7%	4.0%
% of GfG* (2011)								8.6%
<b>Tullahoma Surgery Ctr.</b>								
2009 Patients	0	0	0	1,202	307	0	4,525	6,034
2010 Patients	0	0	0	1,111	301	0	4,082	5,494
2011 Patients	0	0	0	1,307	422	59	3,291	5,079
'09-'11 % Change	0%	0%	0%	8.7%	37.5%	0%	-27.3%	-15.8%
% Facility Total (2011)	0%	0%	0%	73.2%	100%	100%	92.3%	73.4%
% of GfG* (2011)								211.6%

\*Calculated as follows: (Cases / (800 X # of Operating and Procedure Rooms)) X 100%. GfG stands for Guidelines for Growth utilization standard of 800 cases per operating/procedure room

<b>Hospital</b>	<b>'09 Outpt Encounters</b>	<b>'10 Outpt Encounters</b>	<b>'11 Outpt Encounters</b>	<b>'09-'11 % Change</b>
Heritage Medical Ctr.	1,550	1,738	2,349	51.6%
Harton Regional Medical Ctr.	4,050	4,525	5,816	43.6%
Medical Ctr. of Manchester	720	493	492	-31.7%
United Regional Medical Ctr.	0	1,328	533	0.0%
Lincoln Medical Ctr.	895	719	770	-14.0%

**Response:** The charts above are completed. United Regional Medical Center's percent of change from 2009 to 2011 cannot be computed.

**11. Section C, Need Item 6**

Facility/Specialty	ENT	Laser	Cosmetic	Ophthalmology	Orthopedic	Podiatry	Other	Facility Total
Center for ENT, Laser, Cosmetic								
Year 1 Patients	342				248	12		602
Year 2 Patients	358				270	18		646
% Facility Total (Year 2)	55.4				41.8	2.8		100.0
% of GfG* (Year 2)								80.8

**Response:** The above chart is completed. Note that podiatry anticipates performing two procedures per patient. Therefore, the number of podiatry patients will be one-half the number of procedures noted elsewhere (Year 1, 12 patients = 24 procedures; Year 2, 18 patients = 36 procedures). Orthopedic anticipates one procedure per patient, and ENT anticipates multiple procedures per patient.

Finally, the 80.8% figure represents 646 patients, as compared to the 800 procedures called for in the Guidelines for Growth.

**12. Section C. Economic Feasibility Item 2 (Funding)**

**According to the applicant's unaudited balance sheet of June 30, 2012, the applicant facility reported cash available under current assets as \$53,112.75. The estimated cost of the proposed project is \$93,000.**

**Response:** Please see attached letter.

**Please provide a letter from the applicant's accountant or banker attesting to the fact that the applicant has the funds available to cover the proposed project's \$93,000 cost.**

**Response:** Please see attached letter (*Supplemental C.EF.2*).



**13. Section C. Economic Feasibility Item 4 (Historical Data Chart)**

**The gross revenue should have most likely been placed in the "Outpatient Services" line.**

**Please make the necessary corrections and submit a revised Historical Data Chart.**

**Response:** Please see revised Historical Data Chart page 32-R

**14. Section C. Economic Feasibility Item 4 (Projected Data Chart)**

**The gross revenue should have most likely been placed in the "Outpatient Services" line.**

**Please make the necessary corrections and submit a revised Projected Data Chart.**

**Response:** Please see revised Projected Data Chart page 33-R

**15. Section C. Economic Feasibility Item 4 (Other Expenses)**

**There appears to be some minor calculation errors in the 2009 and 2011 columns of this chart. Please make the necessary corrections and submit a revised "Other Expenses" Chart.**

**Response:** Please see revised "Other Expenses" Chart page 34-R

**16. Section C. Contribution to Orderly Development Item 1.**

**Please provide copies of the transfer agreements with the hospitals.**

**Response:** Please see attached transfer agreements. Note that the hospital was known as Bedford County Medical Center at that time, and that our center was known as Shelbyville Surgery Center at that time. The name changes do not affect these agreements.

**17. Section C. Contribution to Orderly Development Item 3.**

**According to the 2011 JAR the applicant facility has one Board certified anesthesiologist on staff. Will this physician be providing anesthesiology services to orthopedists and podiatrists as well?**

**Response:** Yes.

November 26, 2012  
03:10pm  
DUNCAN, WHEELER  
& WILKERSON, P.C.  
Certified Public Accountants

126

DW&W 2012 NOV 27 PM 3 15

November 26, 2012

Melanie Hill, Executive Director  
Health Service and Development Agency  
500 Deaderick Street  
Nashville, TN 37243

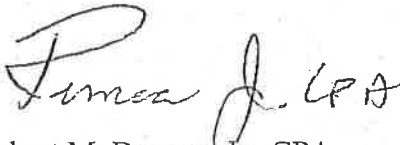
RE: The Center for ENT, Laser and Cosmetic Surgery  
FEIN # 62-1765762  
CON Section C, Economic Feasibility Item 2 (Funding)

Dear Ms. Hill,

The funding in the amount of \$93,000 for the above referenced CON Project to add orthopedics and podiatry services will be obtained from other sources, including companies which are owned or controlled by Dr. Domenic C. Canonico.

Should you need further information, please contact me at any time.

Sincerely,



Robert M. Duncan, Jr., CPA

**COPY-**  
**SUPPLEMENTAL-2**

**The Center for ENT, laser,  
& Cosmetic Surgery**

**CN1210-054**

128  
WEEKS & ANDERSON

*An Association of Attorneys*

2021 RICHARD JONES ROAD, SUITE 350

NASHVILLE, TENNESSEE 37215-2874

TELEPHONE 615/383-3332

FACSIMILE 615/383-3480

SUPPLEMENTAL

KENT M. WEEKS  
ROBERT A. ANDERSON

DIRECT TELEPHONE NUMBER: 615/370-3380

F. B. MURPHY, JR.  
E. GRAHAM BAKER, JR.

November 29, 2012

Mark A. Farber  
Assistant Executive Director  
Tennessee Health Services & Development Agency  
500 Deaderick Street, Suite 850  
Nashville, TN 37243

RE: Supplemental Information: Certificate of Need Application CN1210-054  
The Center for ENT, Laser, & Cosmetic Surgery

Dear : Mark:

Enclosed are three (3) copies of responses to your second supplemental questions regarding the referenced Certificate of Need application. If you have any additional questions, please contact me.

Sincerely,



E. Graham Baker, Jr.

/np

Enclosures as noted



AFFIDAVIT

2012 NOV 29 AM 10:48

STATE OF TENNESSEE  
COUNTY OF DAVIDSON

NAME OF FACILITY: The Center for ENT, Laser, & Cosmetic Surgery (CN1210-054)

I, E. Graham Baker, Jr., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge, information and belief.

E. Graham Baker, Jr. Attorney at Law  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this 29<sup>th</sup> day of November, 2012; witness my hand at office in the County of Davidson, State of Tennessee.

Nadeau E. Poteet  
NOTARY PUBLIC

My Commission expires May 6, 2013



## SUPPLEMENTAL

### 1. Section C, Need Item 5

**It appears that the applicant misinterpreted the intent of the “%Facility Total (2011)” rows. The information provided is actually a “%Specialty Total”. A “% Facility Total” would identify the percentage of total facility volume that each specialty represents. For example in 2011 the % Facility Total that ENT represents is 100%. Please make the appropriate changes to the chart below:**

**SUPPLEMENTAL**

Facility/Specialty	ENT	Laser	Cosmetic	Ophthalmology	Orthopedic	Podiatry	Other	Facility Total
<b>Center for ENT, Laser, Cosmetic</b>								
2009 Patients	383	0	0	0	0	0	0	383
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% Facility Tot (2011)	100%							100%
% of GfG* (2011)								23.4%
<b>Center for Day Surgery</b>								
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% Facility Tot (2011)	51.8%		8.1%	40.1%				100%
% of GfG* (2011)								149.1%
<b>Crown Surgery Center</b>								
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% Facility Total (2011)				25.7%	8.3%	1.2%	64.8%	100%
% of GfG* (2011)								211.6%

\*Calculated as follows: (Cases / (800 X # of Operating and Procedure Rooms)) X 100%. GfG stands for Guidelines for Growth utilization standard of 800 cases per operating/procedure room

**Response:** The above chart is completed.

**SUPPLEMENTAL**

**2. Section C, Need Item 6**

**Your response to this item is noted. When does the applicant expect to reach the 800 case/room utilization standard?**

**Response:** The Applicant anticipates reaching the 800 standard by the third year following approval.

SUPPLEMENTAL

**3. Section C. Economic Feasibility Item 4 (Other Expenses)**

**The 2009 total for “Other Expenses” does not match the “Other Expenses” in the revised Historical Data Chart. Please make the necessary corrections in either the “Other Expenses” Chart or the Historical Data Chart.**

**Response:** The “Other Expenses” chart has been revised. Please note that the 2011 total did not match, either, but it has been corrected with this submission. See Replacement Page 34-R.